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ABSTRACT

The United States Department of Health and Human Services (HHS)--through the explicit and implicit shelter allowance provided under Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and General Assistance--spends at least $10 billion a year on housing assistance, or about as much as the Department of Housing and Urban Development (HUD). There are, therefore, two streams of government financing of low-income housing: an HUD stream and a welfare stream. This report, examining the efficiency, equity, and overall effectiveness of housing aid, found the following: (1) there is considerable overlap between the goals and the clientele of HUD and HHS programs; (2) the system guarantees that program recipients will live in substandard housing and that similar individuals in different locations will not be treated equally; and (3) the system is ineffective: 46 percent of all welfare households spend more than half their income on housing, 13 percent are overcrowded, and 29 percent live in physically substandard units. Recommendations are made for future policies that will restructure the current system by reducing inequities, improving efficiency, and increasing flexibility. Budgeting issues are discussed. The national commitment to low-income housing must be reinstated. Data are exhibited on 32 tables. Appendices provide additional data. (BJV)

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REASSESSING SHELTER ASSISTANCE IN AMERICA

VOLUME I: ANALYSIS AND FINDINGS[1]

by

Sandra J. Newman
Ann B. Schnare

THE URBAN
INSTITUTE
2100 M Street, N.W.
Washington, D.C. 20037

Project Report

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Sandra J. Newman
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U.I. Project 3512-03

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[1] Volume II: Data Book provides the data detail that formed the basis of much of our analysis.

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TABLE OF CONTENTS

Page

EXECUTIVE SUMMARY i

CHAPTER 1 INTRODUCTION 1

1.1 The Two-Pronged Approach to Housing Assistance 2
1.2 Study Objectives 6
1.3 Contents of Report 9

CHAPTER 2 SHELTER ALLOWANCES UNDER WELFARE 11

2.1 Introduction 11
2.2 State Treatment of Shelter Assistance Under AFDC 12
2.3 State Treatment of Shelter Assistance Under Supplemental Security Income (SSI) 24
2.4 State Treatment of Shelter Assistance Under General Assistance (GA) 29
2.5 HUD Treatment of Shelter Payments Under Welfare Programs 35
2.6 Shelter Assistance Under Welfare: The Aggregate Picture 38
2.7 Summary 56

CHAPTER 3 THE IMPACT OF THE TWO-PRONGED SYSTEM 63

3.1 Data Sources 63
3.2 The Overlap Between Housing and Income Assistance 64
3.3 The Demographic Characteristics of Recipients 68
3.4 Housing Outcomes by Type of Assistance 71
3.5 Residential Mobility 77
3.6 Variations by Region 83
3.7 Variations by Tenure 87
3.8 Variations by Program 90
3.9 Relationship of Housing Conditions to Shelter Allowances 95

CHAPTER 4 DIRECTIONS FOR FUTURE POLICY 103

4.1 Arguments for a Categorical Approach 103
4.2 Directions for a Restructured Shelter Subsidy 104
4.3 Supporting the Costs 109
4.4 Conclusion 111

APPENDIX A: HOUSING QUALITY MEASUREMENT AND THE INCIDENCE OF SUBSTANDARDNESS AMONG ASSISTED HOUSEHOLDS

APPENDIX B: FEDERAL SHARE OF AFDC, 1984-85, BY STATE

APPENDIX C: HOUSEHOLD CHARACTERISTICS OF ELIGIBLE "RECIPIENTS" OF AFDC, BY STATE, 1984

LIST OF EXHIBITS

No.	Exhibit Title	Page
1.1	Housing Conditions by Poverty Status and Type of Assistance: 1983	8
2.1	AFDC Characteristics, By Region, 1984-1985	15
2.2	Summary Statistics on Shelter Assistance Under AFDC, By State	17
2.3	Summary Statistics on Shelter Assistance Under SSI, By State	27
2.4	Summary Statistics on Shelter Assistance Under General Assistance, By State	32
2.5	AFDC, SSI, and GA Shelter Allocations, Recipients and Per Capita Allocations	41
2.6	Variations in Shelter Allocation Per Recipient By Welfare Program	43
2.7	AFDC, SSI and GA Ranks By Per Capita Shelter Allocations	45
2.8	Shelter Allocation Per Recipient Rank By Welfare Program	46
2.9	Variations in Shelter Allocation Per Recipient By Welfare Program	48
2.10	Shelter Allocation Per Recipient Rank By Welfare Program	49
2.11	Variation in Total Welfare Shelter Allocation Generosity	51
2.12	Distribution of Welfare Shelter Allocations Per Recipient	52
2.13	Relationship Between Number of Recipients and Generosity of Welfare Shelter Allocation	54
2.14	Comparison of Shelter Payments Under AFDC vs. SSI	55
2.15	Size and Rank of States by Total Population, Population in Poverty and Total Welfare Shelter Allocations	58
3.1	Breakdown of Households by Type of Assistance: 1983	65
3.2	Distribution of Assisted Households by Location, 1983	67
3.3	Characteristics of Households by Type of Assistance: 1983	69
3.4	Housing Costs and Affordability By Type of Assistance: 1983	72

6

LIST OF EXHIBITS
(CONTINUED)

No.	Exhibit Title	Page
3.5	Housing Conditions by Type of Assistance: 1983	75
3.6	Distribution of Households By Number and Type of Deficiencies: 1983	78
3.7	Residential Mobility Rates By Poverty Status, Type of Assistance and Type of Welfare	80
3.8	Housing Needs By Type of Assistance and Geographic Region	85
3.9	Housing Conditions of the Non-Poor Population	86
3.10	Selected Demographic and Housing Characteristics By Tenure: Households With Income Assistance But No Housing Subsidies	88
3.11	Housing Conditions of the Welfare Population By Program	91
3.12	Comparison of Actual Expenditures and FMRs Welfare Only, 1983	93
3.13	Characteristics of Sample Sites	13
3.14	Generosity of Shelter Payment vs. Proportion of Households with Need	98
3.15	Correlation Between Measures of Need and the Generosity of the Shelter Allowance	99
3.16	Regressions Relating the Housing Conditions of the Welfare Population to the Generosity of the Shelter Payment	101

EXECUTIVE SUMMARY

As welfare reform moves to a higher priority on the nation's legislative agenda, housing is conspicuous by its absence. The ability to obtain adequate shelter, like other basic necessities of life — food, clothing and medical care — lies at the heart of welfare programs. A welfare system that does not enable recipients to obtain adequate shelter is certainly a failure by any standard. Yet the rising number of homeless families across the country and the incidence of welfare recipients living in substandard units suggest such a policy failure.

There is a large, and by all accounts growing, gap between the demand and supply of affordable units. In 1983, for example, about 9.7 million renters had incomes below $8,000 a year. Using standard definitions of affordability, such households could afford to pay no more than $200 each month on housing. But in that same year, only 5.3 million units had rents below this level, and 20 percent of these were in substandard condition. Since at least some of the sound, inexpensive units are occupied by richer households, a conservative estimate of the additional units needed, if the poor are to be adequately housed, is 5.5 million.

Despite the apparent need, the country's housing policy is in disarray. Cutbacks initiated under the Reagan Administration have virtually eliminated all production programs, and HUD's new commitments for assisted housing have dropped from over $30 billion to $10 billion a year. Existing contracts for assisted units, which typically last for 15 years, will begin to expire in the early 1990s, making current expenditure levels more susceptible to future cuts. And there is substantial uncertainty regarding the future development of low-income units under the 1986 tax reform. While the current system is undoubtedly ripe for reform, there is no consensus on the changes that need to be made. Both sides of the political spectrum appear to be stymied by the high costs of traditional approaches, coupled with the lack of federal resources.

The Two-Pronged Approach to Housing Assistance

The current approach to housing assistance is an interrelated, but largely uncoordinated mix of direct and indirect subsidies available to households and owners of housing projects. The U.S. Department of Housing and Urban Development (HUD) now spends about $10 billion a year on assisted housing. Tax advantages associated with the development and rehabilitation of low-income housing under the 1986 tax reform could result in another $2.7 billion of subsidies over the next five years. However, another source of assistance has typically been overlooked in the formulation of housing policy. Our estimates suggest that the welfare system — through the explicit and implicit shelter allowances provided under AFDC, SSI and General Assistance — spends at least $10 billion a year on housing assistance, or about as much as HUD.

In reality, then, there are two streams of government financing of low-income housing: a housing stream and a welfare stream. Government involvement is shared by two federal agencies, the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Health and Human Services (HHS), and a multiplicity of state and local jurisdictions. But their approaches are uncoordinated and potentially overlapping. Furthermore, there are stark disparities in the amount of shelter assistance that the systems provide. Similar people are not treated similarly. This two-pronged approach to shelter assistance through a mix of income maintenance and housing programs raises serious questions regarding the efficiency, equity, and overall effectiveness of the existing system.

Efficiency. At a minimum, the involvement of two federal agencies and many states and localities in the provision of shelter assistance raises the probability of inefficiency. If these various actions were directed toward distinct populations or goals, the two-pronged approach might well be justified. But inefficiencies could arise if the goals are distinct but inconsistent, or if either the goals or the clientele overlap. Recent shifts in HUD assistance policies suggest that the third characterization is most appropriate.

Federal involvement in low-income housing began in the depression years, with the creation of the Public Housing Program. Up until the mid-1970's, the primary goal of this and other assistance programs was to increase the supply of standard housing through a variety of approaches involving slum clearance, new construction, and rehabilitation. However, following the Nixon Administration's moratorium on housing programs in 1973, a very different strategy was introduced: housing certificates to qualified households renting units from the existing stock. By the early 1980s, essentially all new construction and rehabilitation programs were terminated, leaving the cash certificate for existing housing as HUD's main assistance approach.

Public assistance programs administered by HHS in combination with the states, such as AFDC, also provide cash grants to eligible households. While the way in which these grants are spent is typically unrestricted, the standard of need on which the grant is based represents each state's estimate of the cost of basic necessities, including shelter. Thus, regardless of the exact amount that recipients spend on housing, the parallel to the current HUD approach seems clear: cash assistance to low-income households to cover shelter costs of housing from the standing stock.

There is also considerable overlap in the recipients of the two types of aid. In 1983, for example, about 22 percent of the welfare population also received a housing subsidy. Some 4.6 million households were receiving income assistance alone; 2.1 million were receiving housing subsidies, but not income assistance; and 1.3 million were receiving both types of aid. By 1986, the number in assisted housing had grown to over 4 million households. Since housing programs are increasingly being targeted to very low-income households, the overlap between HUD and HHS clientele has undoubtedly increased.

Equity. The current system of shelter assistance is also patently unfair. The major welfare programs essentially guarantee that program recipients will live in substandard housing and that similar individuals in different locations will not be treated equally. Nationally, shelter allowances under welfare cover only a fraction of the cost of modest housing (as measured by HUD Fair Market Rents, or FMRs). AFDC recipients receive shelter allowances that average only about 49 percent of the FMR. SSI and GA recipients typically do somewhat better, but still receive allowances that cover only 65 and 67 percent, respectively, of the cost of standard housing.

In addition, the generosity of shelter payments varies dramatically by location, with the lowest payment levels consistently in the South. Under AFDC, shelter allowances average only about 29 percent of the FMR in the South, compared to a high of 64 percent in the West. Under General Assistance, shelter allowances range from 34 percent in the South to 77 percent in the Northeast. While SSI benefits show the least amount of regional variation, shelter allowances average only about 62 percent of the cost of standard housing in the South, compared to a high of about 71 percent in the Northeastern states.

In contrast, HUD programs are designed to insure that recipients obtain standard housing regardless of location, and provide subsidies up to the full amount of the FMR. Unlike the welfare programs, however, households are assisted on a "first come, first served" basis, and only a fraction of the eligible population can be served. Although housing subsidies are targeted to very low-income households, there are 2.9 million renters on welfare who do not receive housing assistance but who have incomes that are just as low as those receiving multiple subsidies.

Effectiveness. Finally, the existing system of shelter support is ineffective. As a first approximation, it is fair to say that housing assistance recipients receive decent and affordable dwellings. In contrast, 46 percent of all welfare households spend more than half of their income on housing, 13 percent are over-crowded, and 29 percent live in physically substandard units. Eight out of every 10 households with income assistance, but no housing program subsidies, have one of these housing problems. Furthermore, welfare recipients in metropolitan areas with generous shelter allowances often fare no better than the average. As a result, many communities are spending relatively large sums of money with little, if any, tangible return on their higher investments.

This pattern is wholly consistent with the findings of other research. Both the income maintenance and housing allowance experiments found that unrestricted cash grants to impoverished households had only a minimal effect on their housing conditions. Thus, while increasing welfare grants may well be warranted on other grounds, simply increasing the shelter allowance in the absence of any other housing-related actions will not have a significant impact on the housing conditions of the poor.

Restructuring the Current System

If the current system is not reformed, its weaknesses will only magnify over time. Aside from predictions of increases in the numbers of poor and homeless, rents are also predicted to rise dramatically in the next few years, further exacerbating the insufficient supply of affordable units.

What should a restructured shelter assistance policy look like? While the details are complex and will require much thought, some general directions are clear. As already alluded to, a key principle of shelter policy reform is that unearmarked cash grants alone, unless they are very generous, will not result in improved housing conditions for the poor. If positive housing outcomes are the goals of housing policy, then a categorical approach makes more sense.

Reducing Inequities. A restructured approach must also be more equitable than the one it replaces. Neither the welfare system nor the housing system rank high on equity grounds. Under welfare, there is enormous variation in payments that is unrelated to need. Under housing programs, almost the same number of equally needy households do not receive assistance as the number that do.

Even in the absence of more radical restructuring, then, the inequities in the current system need to be addressed. The regional disparities in welfare payments must be reduced, if not eliminated, and benefit standards in the less generous areas raised to a level that insures a minimal standard of living for program recipients regardless of location.

This general theme has been echoed in recent proposals addressing the disparities in AFDC payment levels. Focusing on the housing component of welfare assistance only strengthens the call for reform. But reducing the regional disparities in payment standards will not be enough to insure the equity of the current system. The double subsidies that arise under the two-pronged system should also be eliminated. Providing HUD subsidies to only a subset of the eligible population creates an additional layer of inequities that cannot be justified.

While the appropriate level of this new, standardized assistance is subject to debate, shelter allowances under the major welfare programs would have to be raised by an average of between 50 and 100 percent to meet the standards employed by HUD. Our data suggest that this increase would cost about $10 billion dollars a year. While these estimates are extremely crude, if HUD continued to serve a significant number of recipients who were not on welfare, this modification would appear to require an increase in total expenditures on housing assistance (including indirect subsidies available through welfare) of roughly 50 percent.

Improving Efficiency. Changes in funding and administration would also increase efficiency. The two streams of assistance dollars that currently support housing for the poor should be merged, the channeling of these funds to housing expenditures should be made explicit by linking them to specific housing programs, and the fragmented administration of these dollars should be rationalized. It is difficult to judge whether it is better to locate the administration of these funds in the welfare or the housing system. HUD and its network of local housing authorities (PHAs), however, seem to be the more attractive choice.

Welfare caseworkers are notoriously overburdened and have little, if any, housing expertise. Welfare departments in a few communities have attempted to address the housing needs of their clientele by tying AFDC shelter allowances to local code enforcement efforts and the rehabilitation of substandard housing; AFDC emergency assistance has also been used in this way. However, to date, relatively little is known about the widespread replicability or administrative costs of such approaches. In contrast, assigning the task to HUD and the PHAs would capitalize on an existing and well-tested infrastructure.

Increasing Flexibility. A third important element of a redesigned shelter subsidy system is flexibility. HUD's almost exclusive reliance on demand subsidies in the form of vouchers may be insufficient to improve the housing conditions of the most needy. Households living in deficient housing may find it difficult to convince their landlords to make the necessary repairs, may find moving elsewhere to be too emotionally or financially costly, or may find it difficult to locate an acceptable unit in areas with a housing shortage. As a result, the program may have the perverse effect of excluding the very households and markets it is trying most to serve.

Evidence from the housing allowance experiment largely supports this hypothesis. The extent of upgrading induced by the experiment was relatively modest and for the most part restricted to minor repairs. As a result, households in units that failed quality standards typically were forced to move in order to qualify for the allowance. Thus, while housing allowances clearly worked for the majority of households, participation rates tended to be lower among those who initially lived in substandard housing, an outcome that one observer has likened to a health program that is restricted to healthy households.

Thus, despite their higher cost, there appears to be an argument for retaining a few highly targeted supply-side subsidies to deal with the worst segments of the housing stock. Theoretically, raising the purchasing power of low-income households to a level that would provide a reasonable rate of return should eventually produce an adequate supply response, even in areas where the initial stock is relatively poor. In the short term, however, the supply of housing is relatively slow to change. As a result, construction-oriented subsidies are needed to supplement housing vouchers in those markets where there is a shortage of quality housing. Other assistance approaches that can be linked to the voucher strategy or not, such as housing counseling or moving subsidies, might also be needed in some locations.

A strategy must also be devised to assist households who, for a variety of personal and unpredictable reasons, simply cannot find a unit that meets program standards. Obviously, such households cannot be denied assistance. One option would be to develop a two-tiered payment system that would distinguish between households that live in standard and substandard units but provide some assistance to all income eligibles. For example, a minimal shelter allowance could be available to all recipients, but only households in units which met program standards would receive the full subsidy amount. If the lower payment standard were about the same as the current national average (about 60 percent of the FMR), the program's costs would probably drop to about $7 billion per year.

Supporting the Costs. While the key changes that must be made to develop a more equitable and effective shelter subsidy system are fairly clear, funding mechanisms to support the costs of such reform are much less obvious. As noted above, we estimate that raising the shelter allowance to the local FMR would increase expenditures by between $7 billion and $10 billion a year. Presumably, such a change would not occur unless it was part of a broader effort to standardize payment levels. As a result, total expenditures would be even higher.

Some economies could undoubtedly be achieved by more effectively utilizing general welfare monies that are currently available to low-income housing. For example, Emergency Assistance dollars could be used to support the rehabilitation of substandard housing instead of the operation of cheap hotels. This strategy would create a permanent resource for the community at little or no additional cost. Likewise, raising existing shelter allowances to levels that are somewhat below the applicable FMRs would reduce the overall costs of reform and still address the inequities of the current system. However, while HUD's existing quality and payment standards may be too high for an entitlement program, a significant reduction would ultimately jeopardize housing goals.

Finally, HUD assistance could be redirected to serve a higher proportion of the welfare population. In 1983, only about 38 percent of the households in assisted housing also received income assistance, a pattern which may in part reflect the more liberal eligibility requirements that existed prior to the Reagan years. Yet, even if participation in HUD programs were restricted to households on welfare, our estimates suggest that only about 58 percent of that population could be served. Furthermore, the target would take years to achieve since it would have to be accomplished through normal turnover. Because housing needs are not synonymous with the receipt of income assistance, such an approach is neither practical nor politically feasible.

Reinstating the National Commitment to Low-Income Housing

The foregoing discussion is based on the assumption that housing goals remain a part of the nation's public policy agenda. Judging by the events of the last several years, it is not at all clear that this assumption is correct. There has not been a federal housing act for several years, virtually all HUD construction subsidy programs have been terminated, funding for existing demand-side programs is meager, and the 1986 tax reform legislation makes the future of private sector involvement in the provision of low-income housing uncertain at best.

We believe there is a compelling case to be made for housing policy, and for categorical housing assistance in particular. This case rests on several factors: the inequities and inefficiencies of the current two-pronged system; the greater effectiveness of housing programs at achieving housing goals; the realization that transfer payments for housing are substantially different than income transfers; and, most fundamentally, the altruistic motivations that underlie society's support for programs that assist the poor.

CHAPTER 1

INTRODUCTION

For most families and particularly the poor, housing is the single biggest item in the monthly budget. It may also represent the highest priority item since failure to pay each month's rent will ultimately result in eviction. A welfare system that does not enable recipients to obtain adequate shelter is certainly a failure by any standard. Yet the rising number of homeless across the country suggests such a policy failure. Any rethinking of the welfare state must consider housing.

The housing problems of the poor are deep and tangled (1;2). In 1983, for example, about 9.7 million renters had incomes below $8,000 a year. Using standard definitions of affordability, such households could afford to pay no more than $200 each month on housing. But in that same year, only 5.3 million occupied units had rents below this level, and 20 percent of these were in substandard condition. This large, and by all accounts growing gap between the demand and supply of affordable units lies at the heart of the housing problems of the poor.

Despite the apparent need, the country's low income housing policy is in a state of disarray. Cutbacks initiated under the Reagan Administration have virtually eliminated all production programs, and HUD's new commitments for assisted housing have dropped from over $30 to $10 billion a year. Existing contracts for assisted units, which typically last for 15 years, will begin to expire in the early 1990s, making current expenditure levels more susceptible to future cuts. And there is substantial uncertainty regarding the future development of low-income units under the 1986 tax reform.

While the current system is undoubtedly ripe for reform, there is no consensus on the changes that need to be made. Both sides of the political spectrum appear to be stymied by the high costs of traditional approaches, coupled with the lack of federal resources. There is growing recognition that the existing approach to meeting the housing needs of the poor is fragmented at best, and inequitable and inefficient at worst. Yet relatively little is known about ways in which traditional housing assistance programs interact with other aspects of the welfare system or, more fundamentally, about how best to spend scarce public resources while at the same time providing decent housing for the poor.

1.1 The Two-Pronged Approach to Housing Assistance

The current approach to housing assistance is best viewed as an interrelated but largely uncoordinated mix of direct and indirect subsidies available to households and owners of housing projects. The U.S. Department of Housing and Urban Development (HUD) now spends about $10 billion a year on assisted housing.[1] Tax advantages associated with the development and rehabilitation of low income housing under the 1986 tax reforms could result in another $2.7 billion of subsidies over the next five years (3). However, another source of assistance has typically been overlooked in the formulation of housing policy. Our estimates suggest that the welfare system — through the explicit and implicit shelter allowances provided under AFDC, SSI, and General Assistance — spends at least $10 billion a year on housing assistance, or about as much as HUD.[1]

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[1] This estimate excludes expenditures under the Community Development Block Grant program, the Housing Development Action Grant (HODAG) program, public housing modernization, and the like.

Thus, in reality there are two streams of government financing of low-income housing: a housing stream and a welfare stream. Government involvement in this activity is shared by two federal agencies, the U.S. Department of Housing and Urban Development (HUD), and the U.S. Department of Health and Human Services (HHS), and a multiplicity of states and local jurisdictions. But their approaches are uncoordinated and potentially overlapping. Furthermore, there are stark disparities in the amount of shelter assistance that the two systems provide. Similar people are not treated similarly. This two-pronged approach to shelter assistance raises serious questions regarding the equity, efficiency, and overall effectiveness of the existing system.

Equity. Under traditional income maintenance programs, geography rather than need plays the major role in determining the amount of shelter assistance that an individual or family receives, and even in the most generous parts of the country, the amount provided falls far short of the amount required. One recent analysis by Nenno (4) presented some rough estimates of the relationship between AFDC shelter allowances in different states and the costs of modest housing. According to her estimates, shelter allowances covered between 12 and 77 percent of the amount required to obtain a standard unit in the rental market (as measured by HUD's estimated fair market rents or FMRs).[1] All but seven states allocated less than 50 percent. In contrast, families lucky enough to be enrolled in an assisted housing program receive a subsidy equal to the full amount of their shelter needs. Thus, by all accounts, the existing system is unfair.

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[1] We estimate that in FY1984, AFDC allocated roughly $5.2 billion to shelter assistance, SSI allocated roughly $3.4 billion, and General Assistance roughly $1.4 billion. The first and third estimates are based on state data we collected; the second is derived by multiplying total FY84 SSI payments by the fraction of those payments estimated to be devoted to shelter costs (see Exhibit 2.3).

Efficiency. The involvement of two separate federal agencies and many states and localities in the provision of shelter assistance raises the possibility of inefficiencies. If these various actors were directed toward distinct populations or goals, the two-pronged approach might well be justified. But inefficiencies could arise if the goals are distinct but inconsistent, or if either the goals or the clientele overlap. Recent shifts in HUD assistance policies suggest that the third characterization may be most appropriate.

Federal involvement in the housing sector began in the depression years, with the establishment of the Federal Housing Agency (FHA) and the creation of the Public Housing Program. Up until the mid-1970s, the main goals of Public Housing and other assistance programs were to increase the supply of standard housing and improve housing conditions for the poor. Implementing these goals involved slum clearance, new construction, and rehabilitation programs. After the

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[1] HUD establishes a Fair Market Rent (or FMR) for Standard Metropolitan Statistical Areas and non-urban counties in the U.S. The FMR represents HUD's estimate of the cost of a standard rental unit in each jurisdiction.

1973 housing assistance moratorium of the Nixon administration, however, a very different implementation strategy was introduced: housing certificates to qualified households who rent housing units from the existing stock.[1] By the early 1980s, essentially all new construction and rehabilitation programs were terminated, leaving the cash certificate for existing housing as HUD's main assistance approach. Since this assistance is targeted to families with very low incomes, it likely overlaps with the welfare clientele of HHS.

Public assistance programs administered by HHS in combination with the states, such as AFDC, provide cash grants to eligible households. While the way in which these grants are spent is typically unrestricted, the standard of need on which the grant is based represents each state's estimate of the cost of basic necessities such as food, clothing, and shelter. Thus, regardless of the exact amount recipients actually spend on shelter, the parallel to HUD's current approach to housing assistance seems clear: cash assistance to low-income households to cover shelter costs of housing from the standing stock. While a few communities have attempted to leverage the sizeable pool of dollars available through the welfare system to rehabilitate their housing stock, for the most part the potential linkage between housing assistance and income support has not been exploited.

Effectiveness. The third question concerns the effectiveness of the two-pronged approach to housing assistance. While HUD programs impose minimum quality standards on the housing of its recipients, HHS programs do not. As a result, there is serious concern that the welfare population resides in deplorable housing, possibly even in communities where shelter allowances are relatively high. At a minimum, this suggests that a sizable pool of taxpayer dollars is supporting inadequate housing. Indeed, our analysis suggests that the housing conditions of welfare recipients often bear little relationship to the generosity of the shelter allowances that they receive. As a result, many communities are expending relatively large sums of money with little, if any, tangible return on their higher investments.

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[1] These certificates are currently valued at the difference between the rental cost of a standard apartment and 30 percent of the household's income.

Arguments about effectiveness are also beginning to emerge in recent discussions about the growing incidence of the homeless. Alcoholism, combined with the deinstitutionalization of the chronically mentally ill, undoubtedly account for much of the homelessness that exists today. Nevertheless, there is anecdotal evidence that Emergency Assistance, which is designed to provide temporary shelter to individuals with no other place to go, is increasingly used by families with chronic housing needs. Such assistance is extremely expensive and does little to improve the long-term housing situation of the nation's poor.

1.2 Study Objectives

All estimates point to dramatically rising rents in the next few years, further exacerbating the problem of an inadequate supply of affordable units for the poor and the middle class. The growing inability of families to pay for shelter, combined with a substantial loss of low cost units from the housing stock, argue convincingly for a rethinking of government's role in housing assistance. This paper takes a step in that direction.

At the outset, it is important to recognize that we focus on the assisted population; that is, households receiving either income or housing assistance. This group does not define the universe of individuals with a housing need. For example, we do not examine the homeless population which, by conservative estimates, numbers about 300,000 nationwide. Nor have we focused on households with incomes below the poverty line who are not receiving government aid. In 1983, the number of such households (8.5 million) was higher than the number of households receiving either income support or housing assistance (8.0 million).

Exhibit 1.1 presents information on the housing situation of these different segments of the population. The welfare population (defined as those with income, but not housing assistance) does not have a monopoly on housing problems. A relatively high proportion of unassisted households with incomes below the poverty line live in physically deficient or crowded units. While they are better off than the welfare population on both of these measures, they are worse off in terms of affordability. Some 78 percent of the unassisted poor pay more than 30 percent of their incomes for housing, and 60 percent pay more than half. While this pattern could well reflect the more temporary nature of their impoverishment, their current needs are nevertheless very real in both absolute and relative terms.

By focusing solely on assisted households, our analysis can only provide information on how well the current shelter assistance

EXHIBIT 1.1

HOUSING CONDITIONS BY POVERTY STATUS AND TYPE OF ASSISTANCE: 1983

	ASSISTED HOUSEHOLDS		UNASSISTED HOUSEHOLDS	
	Housing Assistance[1]	Income Assistance Only[2]	Poor	Non-Poor
Number of Households (1000s)	3,392	4,568	8,540	68,244
Percent in Unaffordable Housing[3]	39.6%	66.8%	77.7%	23.9%
Percent in Substandard Units	8.0%	28.5%	19.4%	6.3%
Percent in Crowded Units[4]	6.2%	13.3%	8.4%	2.0%
Percent with at Least One Housing Problem	47.2%	78.2%	86.1%	30.9%

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1. Includes households receiving both income and housing assistance.
2. Excludes households with both income and housing assistance.
3. Unaffordable units have costs (excluding utilities) that exceed 30 percent of household income.
4. Crowded units have more than one person per room.

system functions for those who actually receive its services. The broader issue of whom should be served by government programs is left for another forum.

1.3 Contents of Report

The remainder of this report is organized into three chapters. Chapter 2 presents a detailed description of the treatment of shelter assistance under the three principal welfare programs: Aid to Families with Dependent Children (AFDC), Supplementary Security Income (SSI), and General Assistance (GA). The data were obtained from telephone surveys of state and local welfare administrators and reviews of program documents. In addition to presenting information on the implicit and explicit shelter allowances provided by the different programs, we compare these shelter allowances to the cost of "decent, but modest" housing as determined by HUD.

Chapter 3 takes a broad look at the overlap between housing assistance and traditional welfare programs using a national data base, the 1983 American Housing Survey (AHS). We examine the number and types of households currently receiving income assistance and direct rental subsidies, the overlap between the two groups, and the housing conditions of each. We also take a detailed look at the welfare population in 25 specific metropolitan areas surveyed in separate SMSA studies by the AHS, in order to relate their housing conditions to the generosity of their shelter allowances.

The final chapter draws some general conclusions about the strengths and weaknesses of the current system. Based on the evidence of our own analysis and that of the housing policy literature, we discuss policy strategies that ought to be avoided and those that have better prospects for success. We conclude with several preliminary thoughts on options for redirecting current policy.[1]

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[1] Volume II of this report is a data book that provides an overview of each welfare program and the data on each state's implementation of these programs.

CHAPTER 2

SHELTER SUBSIDIES UNDER GENERAL WELFARE PROGRAMS

2.1 Introduction

In this chapter, we attempt to fill the substantial gaps in our knowledge of shelter assistance in the U.S. by taking a close look at the shelter allowances embedded in general welfare programs. Since we estimate that these subsidies account for slightly more than half of all monies flowing into shelter assistance and affect more than twice as many recipients as are affected by traditional housing assistance programs, this examination of welfare shelter subsidies is long overdue.

The chapter is divided into five main sections. In the first three sections, we characterize the treatment of shelter assistance under each of the three main welfare programs, in turn: Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI), and General Assistance (GA). While one point of departure in this review are the inequities inherent in each program, the fourth section is devoted to inequities that arise from an external source, namely, HUD's treatment of welfare program shelter allowances. In the fifth, and final, section, we focus on the aggregate shelter budgets of welfare programs in each state. This analysis is directed at such issues as the comparative generosity of state shelter allocations and the potentially non-neutral effects of federal matching dollars for some welfare programs but not others.

2.2 State Treatment of Shelter Assistance Under AFDC

States apply one of two approaches to the treatment of shelter costs under AFDC. Nine states set explicit dollar maximums as their estimates of what shelter actually costs in their jurisdiction ("shelter need") and explicit dollar maximums for the shelter grant the recipient will actually receive ("shelter payment").[1] If the eligible household's actual rent (plus utilities) is greater than this explicit maximum, it must pay for this additional shelter cost out-of-pocket. On the other hand, if actual rent falls below this amount, only the actual shelter costs are reimbursed.

Most states do not make explicit shelter grants. Instead, they use consolidated need standards and payment levels. While these consolidated standards may have originally been based on estimates of the actual cost of food, clothing and shelter, these underlying estimates never come into play. Recipients receive a consolidated payment as their welfare grant with no particular fraction earmarked for any particular component of need.

For purposes of analysis, we have divided states into three groupings based on our ability to estimate the shelter portion of the welfare grant from available state data. The first group includes the nine states which are the only ones that use explicit shelter maximums plus another 15 states for which we are able to estimate with reasonable precision the portion of the AFDC grant that is devoted to shelter.

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1. These states are: Hawaii, Idaho, Indiana, Michigan, New Hampshire, New York, Oregon, South Dakota and Vermont. In recent months, Michigan and South Dakota have decided to discontinue their explicit payment approach. Our data, however, reflect the 1984-5 period when they were still applying this method.

In another nine states, we can derive an implicit shelter standard from several pieces of information, although there is no single, explicitly-stated amount. In some instances, a different overall standard of need (and payment level) is established for individuals who have no housing costs (e.g., individuals who live rent-free with another household); here, shelter needs and payment levels can be derived by comparing the grants available to such households to the grants available to families that must pay for housing. In other cases, states were able to give us a rough percentage of the standard of need and payment level that was devoted to shelter.

The remaining states apply a third approach. Only aggregate amounts are provided for needs standards and payment levels, and there is no way to derive, either explicitly or implicitly, the amount allocated to shelter. In order to include these states in the national analysis, we set their ratio of shelter need to standard of need (and shelter payment to payment level ratio) at 30 percent, which represents a rough average of these ratios for the 33 states with either explicit or derived shelter assistance components.[1]

Before turning to a discussion of the differences between the states in their approach to shelter assistance under AFDC, there are several more general attributes that are at least equally important. First, only 21 states (roughly 41 percent) provide assistance payments to eligible households at 100 percent of the state's own established needs standard (i.e., the cost of basic necessities the state deems are required to maintain a minimum standard of living). The rest pay some arbitrary fraction which falls as low as 31 percent. This characterization also applies to the relationship between the standard set for shelter by the state and the actual shelter payment that is made to eligible households.

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[1] This rate was also adopted by Nenno (4).

These state variations result in striking regional contrasts, as shown in Exhibit 2.1. The South consistently ranks lowest on all indicators: the underlying standard of need and shelter need, as well as the total payment level and that portion of the payment that is devoted to shelter. For example, the southern region's standard of need is 20 percent lower than that of the Northeast, which has the next lowest need standard. The comparison of shelter payment levels is even more dramatic; here, the South's payment is, on average, roughly only half as much as that in the North Central region and about one-third that in the West. In contrast, the West is almost consistently at the other end of the range.

Another source of contrast is the large difference in the depth of subsidy to households under AFDC versus HUD housing assistance, such as Section 8. In 15 locations around the country, the total AFDC payment received by a family of four, which is supposed to cover the cost of all basic necessities including shelter, is smaller than the lowest Fair Market Rent within the state. Although the AFDC payment is not smaller in another 22 jurisdictions, it is less than one-and-a-half times the lowest FMR.

EXHIBIT 2.1

AFDC CHARACTERISTICS, BY REGION, 1984-85[1]

	Standard of Need	Shelter Need	Payment Level	Shelter Payment
Northeast	$450	$177	$391	$159
North Central	$544	$184	$368	$124
South	$359	$113	$205	$65
West	$535	$210	$487	$189

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[1] The national family size distribution was applied to each state to derive regional averages for these indicators. Maximum AFDC payments used in all calculations.

Source: Calculated from data obtained in telephone interviews with state AFDC officials and state documents.

Beyond these broad patterns, there are at least six additional ways in which states differ in their determinations of how much shelter assistance a household will receive. These include: (a) differences in the adjustments for family size; (b) differences in adjustments for location within a state (e.g., higher versus lower cost areas); (c) differences in the fraction of the needs standard devoted to shelter; (d) differences in the fraction of shelter needs actually funded (i.e., the ratio of shelter payment to shelter need); (e) differences in the relationship between shelter payments and the actual costs of standard housing (as measured by the HUD FMRs); and (f) differences in the frequency of updates to shelter payment levels. Some highlights of each of these disparities will be described below. The full detail is shown in Exhibit 2.2.

a. Adjustments for family size

As shown in the sixth column of Exhibit 2.2, 10 states make no distinction in the shelter payments provided to families of three versus four persons.[1] In one state, Illinois, the shelter payment actually is reduced for the larger family size. In the remaining states, the difference in shelter payments by family size ranges from a low of one percent (Florida) to a high of 29 percent (Oklahoma). Since larger families require larger, more expensive dwelling units, they are significantly disadvantaged in states where the payment differential is relatively low.

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[1] The average AFDC family size is roughly three persons (5).

EXHIBIT 2.2
SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER AFDC, BY STATE
(1984-85 DATA)

	(1) Stand. of Need ($) 4-Pers.	(2) Payment Level ($) 4-Pers.	(3) Pmnt. Lev. / Standard Of Need 4-Pers.	(4) Shelter Need ($) 4-Pers.	(5) Shelter Payment ($) 4-Pers.	(6) Diff. in Shelter Payments 3 vs. 4 Pers. (%)	(7) Shelter Need / Std. Of Need 4 Pers.	(8) Shelter Payment / Shelter Need 4 Pers.	(9) HUD Fair Market Rents ($) High	Low	(10) Shelter for 4 Pers. / Low FMR for State
Alabama	480	147	.31	(144)	(44)	(.26)	(.30)	(.31)	356	254	(.17)
Alaska	800	800	1.00	(240)	(240)	.11	(.30)	(1.00)	693	588	(.41)
Arizona	282	282	1.00	112	112	(.20)	.40	1.00	445	328	.34
Arkansas	273	164	.60	40	24	0	.15	.60	331	228	.11
California	660	660	1.00	222	222	.05	.34	1.00	577	335	.66
Colorado	765	420	.55	207	113	.11	.27	.55	552	307	.37
Connecticut									491	363	
Region A (High)	636	636	1.00	265	265	.12	.42	1.00			.73
Region C (Low)	534	534	1.00	162	162	.07	.30	1.00			.45
Delaware	336	336	1.00	101	101	.17	.30	1.00	421	361	.28
District of Columbia	798	399	.50	(239)	(120)	.22	(.30)	(.50)	440	440	.27
Florida	468	284	.61	135	82	.01	.29	.61	515	283	.29
Georgia	432	264	.61	(130)	(79)	(.17)	(.30)	(.61)	397	261	(.30)
Hawaii	546	546	1.00	265	265	.10	.49	1.00	552	507	.52
Idaho	627	344	.55	142	78	0	.23	.55	361	307	.25
Illinois	752	386	.51	297	155	-.02	.40	.52	572	247	.63
Indiana	375	316	.84	100	84	.04	.27	.84	367	292	.29
Iowa	578	419	.73	100	72	.08	.17	.72	382	287	.25

Notes:
1) All AFDC payment levels are maximum allowable amounts.
2) Numbers in parentheses are estimates for states whose shelter needs and payment levels could not be extracted from state documents.
3) Need and payment standard shown is for Chicago; rest of Illinois uses a different need and payment standard.
4) HUD FMR data are for 2-bedroom units.
5) AFDC to FMR ratios (last column) are misleading in states with intra-state variations in AFDC payments: "High" versus "low" AFDC locations do not correspond to "high" and "low" FMR locations.

EXHIBIT 2.2
SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER AFDC, BY STATE
(1984-85 DATA)
(Page 2 of 4)

	(1) Stand. of Need ($) 4-Pers.	(2) Payment Level ($) 4-Pers.	(3) Pmnt. Lev. / Standard Of Need 4-Pers.	(4) Shelter Need ($) 4-Pers.	(5) Shelter Payment ($) 4-Pers.	(6) Diff. in Shelter Payments 3 vs. 4 Pers. (%)	(7) Shelter Need / Std. Of Need 4 Pers.	(8) Shelter Payment / Shelter Need 4 Pers.	(9) HUD Fair Market Rents ($) High	(9) HUD Fair Market Rents ($) Low	(10) Shelter for 4 Pers. / Low FMR for State
Kansas									376	232	
Group I (Low)	363	363	1.00	76	76	0	.21	1.00			.33
Group II (High)	422	422	1.00	135	135	0	.32	1.00			.58
Kentucky	246	246	1.00	(74)	(74)	(.25)	(.30)	(1.00)	386	236	(.31)
Louisiana									375	228	
Region I (Low)	658	217	.33	(197)	(65)	(.24)	(.30)	(.33)			(.29)
Region II (High)	712	234	.33	(214)	(70)	(.23)	(.30)	(.33)			(.31)
Maine	640	465	.73	214	155	.26	.33	.72	450	339	.46
Maryland	520	376	.72	191	138	.20	.37	.72	572	418	.33
Massachusetts	490	463	.95	125	119	0	.26	.95	533	364	.33
Michigan									448	298	
Zone I (Low)	564	516	.92	140	140	.22	.25	1.00			.47
Zone II (High)	628	575	.92	195	195	.15	.31	1.00			.65
Minnesota	611	611	1.00	(183)	(183)	(.17)	(.30)	(1.00)	451	280	(.65)
Mississippi	327	120	.37	60	22	.10	.18	.37	387	279	.08
Missouri	365	310	.85	(110)	(93)	(.16)	(.30)	(.85)	385	232	(.40)
Montana	513	425	.83	250	207	.26	49	.83	425	316	.66
Nebraska	420	420	1.00	105	105	.02	.25	1.00	373	273	.38
Nevada	341	280	.82	(102)	(84)	(.20)	(.30)	(.82)	528	423	(.20)

Notes:
1) All AFDC payment levels are maximum allowable amounts.
2) Numbers in parentheses are estimates for states whose shelter needs and payment levels could not be extracted from state documents.
3) Need and payment standard shown is for Chicago; rest of Illinois uses a different need and payment standard.
4) HUD FMR data are for 2-bedroom units.
5) AFDC to FMR ratios (last column) are misleading in states with intra-state variations in AFDC payments: "High" versus "low" AFDC locations do not correspond to "high" and "low" FMR locations.

EXHIBIT 2.2
SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER AFDC, BY STATE
(1984-85 DATA)
(Page 3 of 4)

	(1) Stand. of Need ($) 4-Pers.	(2) Payment Level ($) 4-Pers.	(3) Pmnt. Lev. / Standard Of Need 4-Pers.	(4) Shelter Need ($) 4-Pers.	(5) Shelter Payment ($) 4-Pers.	(6) Diff. in Shelter Payments 3 vs. 4 Pers. (%)	(7) Shelter Need / Std. Of Need 4 Pers.	(8) Shelter Payment / Shelter Need 4 Pers.	(9) HUD Fair Market Rents ($) High	(9) Low	(10) Shelter for 4 Pers. / Low FMR for State
New Hampshire									496	359	
Reg. Housing	442	442	1.00	141	141	0	.32	1.00			.39
Sub. Housing	418	418	1.00	174	174	0	.42	1.00			.48
New Jersey	443	443	1.00	(133)	(133)	(.17)	(.30)	(1.00)	548	370	(.36)
New Mexico	313	313	1.00	105	105	.19	.34	1.00	341	280	.38
New York									539	282	
New York City	528	528	1.00	270	270	.11	.51	1.00	(436)		.96
Erie County	457	457	1.00	199	199	.03	.44	1.00	(391)		.71
North Carolina	488	244	.50	(146)	(73)	(.09)	(.30)	(.50)	377	246	(.30)
North Dakota	454	454	1.00	114	114	0	.25	1.00	491	310	.37
Ohio	757	343	.45	(227)	(103)	(.24)	(.30)	(.45)	373	246	(.42)
Oklahoma									424	244	
A (High)	349	349	1.00	(105)	(105)	(.24)	(.30)	(1.00)			(.43)
B (Low)	301	301	1.00	(90)	(90)	(.29)	(.36)	(1.00)			(.37)
Oregon	392	392	1.00	140	140	.21	.36	1.00	408	302	.46
Pennsylvania	724	429	.59	(217)	(129)	(.24)	(.30)	(.59)	402	237	(.54)
Rhode Island	484	484	1.00	(145)	(145)	(.14)	(.30)	(1.00)	420	361	(.40)
South Carolina	229	229	1.00	44	44	0	.19	1.00	377	279	.16

Notes:
1) All AFDC payment levels are maximum allowable amounts.
2) Numbers in parentheses are estimates for states whose shelter needs and payment levels could not be extracted from state documents.
3) Need and payment standard shown is for Chicago; rest of Illinois uses a different need and payment standard.
4) HUD FMR data are for 2-bedroom units.
5) AFDC to FMR ratios (last column) are misleading in states with intra-state variations in AFDC payments: "High" versus "low" AFDC locations do not correspond to "high" and "low" FMR locations.
6) Using New York City's FMR rather than the lowest FMR in the state produces a payment:FMR of .62. For Erie County, the ratio is .51.

EXHIBIT 2
SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER AFDC, BY STATE
(1984-85 DATA)
(Page 4 of 4)

	(1) Stand. of Need ($) 4-Pers.	(2) Payment Level ($) 4-Pers.	(3) Pmnt. Lev. / Standard Of Need 4-Pers.	(4) Shelter Need ($) 4-Pers.	(5) Shelter Payment ($) 4-Pers.	(6) Diff. in Shelter Payments 3 vs. 4 Pers. (%)	(7) Shelter Need / Std. Of Need 4 Pers.	(8) Shelter Payment / Shelter Need 4 Pers.	(9) HUD Fair Market Rents ($) High	(9) Low	(10) Shelter for 4 Pers. / Low FMR for State
South Dakota	371	371	1.00	163	163	0	.44	1.00	364	285	.57
Tennessee	300	168	.56	74	51	.21	.30	.89	391	253	.20
Texas	593	201	.34	188	64	.14	.32	.34	434	244	.26
Utah	809	428	.53	297	157	.08	.37	.53	413	277	.57
Vermont	798	523	.66	263	173	0	.33	.66	478	351	.49
Virginia									415	266	
Group I (Low)	331	298	.90	141	127	.13	.43	.90			.48
Group III (High)	422	379	.90	210	189	.09	.50	.90			.71
Washington	904	561	.62	471	292	.12	.52	.62	461	302	.97
West Virginia									451	387	
Plan III (High)	332	249	.75	63	47	.09	.19	.75			.12
Plan I (Low)	236	170	.72	0	0	0	0				0
Wisconsin									451	273	
Area I (High)	749	637	.85	225	191	.19	(.30)	(.85)			.70
Area II (Low)	723	618	.86	217	185	.19	(.30)	(.85)			.68
Wyoming	390	390	1.00	80	80	0	.21	1.00	478	307	.26

Notes:
1) All AFDC payment levels are maximum allowable amounts.
2) Numbers in parentheses are estimates for states whose shelter needs and payment levels could not be extracted from state documents.
3) Need and payment standard shown is for Chicago; rest of Illinois uses a different need and payment standard.
4) HUD FMR data are for 2-bedroom units.
5) AFDC to FMR ratios (last column) are misleading in states with intra-state variations in AFDC payments: "High" versus "low" AFDC locations do not correspond to "high" and "low" FMR locations.

Source: Telephone interviews with state AFDC officials and state documents.

b. Differentials by intra-state location

Ten states differentiate their shelter payment levels geographically, recognizing the variation in housing costs by market area. However, the remaining 41 jurisdictions apply a single shelter payment level to all locations. Since housing costs are typically higher in urban areas, this creates significant disparities in the effective value of the shelter supplement in urban versus rural areas.

c. Shelter need:standard of need

There is also a marked variation in the proportion of the needs standard which states allocate to shelter, and this differentiation varies further by family size. For one-person families, the states' estimate of shelter needs ranges from about 20 percent of the total needs standard in Iowa to about 52 percent of total needs in New York City and the state of Washington. At the other extreme of family size (not shown here), Arkansas devotes the smallest proportion of its needs standard to shelter for six-person families (about 12 percent), while Washington again assigns the highest fraction (about 49 percent). Furthermore, some states more sharply differentiate these ratios for different family sizes; South Dakota, for example, has nearly a 40 percentage point differential between one-person and six-person families, while others differentiate little, if at all.

d. Fraction of shelter need actually funded

As shown in the eighth column of Exhibit 2.2, the percentage of shelter need that is actually translated into a shelter payment for AFDC recipients also varies widely across the states. Twenty-two states (about 43 percent of all states) fund their total shelter need standard, while most of the remaining states fund at least 50 percent of the shelter standard. Six states, however, fund less than half of the standard.

e. Deviation of shelter payment from FMR

A comparison of shelter payments for four person AFDC families to the lowest FMR in a state should bias the results in the direction of understating the discrepancy between AFDC shelter payments and HUD FMRs. However, as shown in the final column of Exhibit 2, even this comparison reveals substantial differences and also demonstrates the shallowness of the AFDC shelter subsidy. Seven states (Alabama, Arkansas, Mississippi, Nevada, South Carolina, Tennessee, West Virginia) use shelter payments that are 20 percent or less of the lowest FMR for any location within their jurisdiction. AFDC shelter payments in another 27 states fall somewhere between 21 and 50 percent of the lowest FMR. Only the state of Washington funds shelter payments that are virtually the same as the lowest FMR in the state.

f. Updating data over time

The striking disparities between shelter payments and FMRs may result in part from the great time lags between updates to components of the AFDC formula. Few states attempt to update their needs standards or payments levels on a regular basis. In a number of states, the last review of standards occurred at least five years ago. In some instances, even when adjustments are made, they do not necessarily bring the standard up to current prices. For example, Georgia last updated its standard of need in 1980, but values were inflated to equal only 90 percent of 1969 estimates. It is also important to realize that even if adjustments are proposed by state AFDC program staff, it is ultimately the legislature that makes the final budgetary decisions regarding funding levels. In the face of budget pressures, recommendations to inflate standards and payments on a regular basis may be futile.

g. Additional Variations

In addition to these six variations which directly affect the amount of cash assistance a recipient receives, there are several other types of disparities between jurisdictions which are also worth mentioning. First, states vary in the proportion of AFDC benefits that are paid for by the Federal government. While the statutory minimum Federal share must be 50 percent, in FY 1984 it exceeded 70 percent in 11 states. The federal share is determined by a formula which heavily weights state per capita income; thus, roughly 78 percent of Mississippi's AFDC benefits are subsidized by the federal government compared to 50 percent in New York or California. Appendix B lists the federal share of AFDC for all states.

Second, states have some discretion in determining who is eligible to receive AFDC assistance. While all states must provide grants to eligible children, 29 states, for example, do not cover needy families whose principal earner is unemployed, and 30 states do not provide benefits to individuals who perform an essential service for recipients. These differences result in broader coverage in some states and more restrictive coverage in others. Appendix C shows several examples of the variation between states in eligibility rules.

2.3 State Treatment of Shelter Assistance Under Supplemental Security Income (SSI)[1]

In contrast to AFDC, the interstate variation in SSI payments for those living in non-institutional, non-group quarter residences is not widespread. This is due largely to the fact that although most states supplement the Federal SSI benefit standard, these supplements usually apply only to special residential settings such as homes for the aged and domiciliary care facilities. For individuals and couples either living independently or in another person's household — the two living arrangements that are distinguished by the Federal SSI law — only 28 states provide any supplement at all, and in 13 of these cases, the amount of the supplement is less than $50 per month.[2]

Three states — Connecticut, Nebraska and Idaho — set explicit shelter maximums under SSI. In each of these jurisdictions, the state has a standard of need and payment level for basic necessities including shelter. The maximum amount set for shelter is actually paid for by a combination of federal and state SSI dollars.

For the remaining states, no explicit shelter needs and payment standards exist. However, because the SSI law explicitly values the cost of living in another person's household at two-thirds the cost of living independently, one approach for estimating the implicit shelter payment incorporated in the SSI grant is to assume that it equals one-third of the total payment made to qualified persons living independently.[1]

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[1] The income assistance program for the aged, blind and disabled.

[2] We restrict our attention to this segment of the SSI program and exclude consideration of special housing settings and recipients.

It can be argued, however, that this approach introduces more uniformity into the SSI program than is warranted. Using the one-third criterion as an upper bound for shelter-related costs is entirely legitimate for the federal portion of the SSI payment. But it may not accurately reflect a particular state's view of what portion of its supplementary payment underwrites the shelter costs of SSI recipients.

For example, of the 14 states that provide supplementary payments greater than $50 per month, five states make no distinction in their payments to recipients living independently as opposed to living in another's household. Moreover, while two additional states are consistent with the federal statute in that they reduce their payments to those in joint living arrangements, the reduction is not the two-thirds used by the federal government nor is it the same fraction for individuals and couples. Four other states are even more inconsistent with the federal approach: they increase their supplements to recipients living with others.

Therefore, we also pursued a second method to estimating shelter payments under SSI which explicitly recognizes the variations in the way SSI supplement states approach the shelter component.[2] This state specific amount is then added to the federal shelter payment component (i.e., one-third of the total payment for those living independently) to produce a total shelter payment for each state.

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[1] This method should result in an upper bound value since the one-third value covers the full range of "support and maintenance in-kind," thereby including other support than just shelter.

[2] The specifics of our approach are stated in footnotes to Exhibit 2.3.

The last seven columns of Exhibit 2.3 show: (a) the range of values for shelter payments produced by these two alternative methods; (b) HUD's estimate of the minimum Fair Market Rent for an efficiency unit in the state; and (c) the resulting shelter payment:FMR ratios. Since an efficiency apartment is the type of unit for which an eligible individual living alone would qualify under Section 8 program guidelines, the most valid comparison among these figures is between the implicit SSI shelter payment for an individual and the FMR for an efficiency unit. In making this comparison, it should be kept in mind that we have used maximum values for SSI and minimum values for the FMR. As with the AFDC and FMR comparison presented earlier, this approach should understate the extent of difference between the SSI implicit shelter payment and the cost of decent, modest rental housing.

On average across the nation, SSI shelter dollars represent roughly two-thirds of the cost of modest housing for a single individual living in an efficiency apartment.[1] There are, of course, regional disparities. SSI shelter payments represent a somewhat smaller fraction of Fair Market Rents in the South (62 percent) compared to the other regions, while those in the Northeast are about 10 percent higher than

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1. The differences between the two methods of extracting shelter payments under SSI are negligible except in the Northeast where the discrepancy in shelter payment to FMR ratios is 7 percentage points. This discrepancy is due almost entirely to the state of Connecticut which has a shelter maximum of $200 (used under Method II) compared to its one-third estimate of $155 (Method I).

EXHIBIT 2.3

SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER SSI, BY STATE
(1984-85 DATA)

REGION	# Persons With SSI	LIVING INDEPENDENTLY: Maximum Fed. + State SSI Benefit Level: Individ.	Couple	Amount State Supp.: Individ.	Couple	LIVING IN ANOTHER PERSON'S HOUSEHOLD: Maximum Fed. + State SSI Benefit Level: Individ.	Couple	Amount State Sup: Individ.	Coupl
NORTHEAST									
Connecticut	23,943	463.70	574.20	140.70	86.20	357.37	411.54	140.70	86.2
Maine	20,684	333.00	503.00	10.00	15.00	224.67	337.34	8.00	12.0
Massachusetts	108,378	453.82	689.72	128.82	201.72	321.03	541.14	104.36	215.8
New Hampshire	5,308	339.00	489.00	14.00	1.00	243.67	346.34	27.00	21.0
New Jersey	85,078	356.25	513.36	31.25	25.36	260.98	418.43	44.31	93[illegible]
New York	336,463	385.91	564.03	60.91	76.03	224.91	352.37	8.24	27[illegible]
Pennsylvania	154,026	357.40	536.70	32.40	48.70	249.07	374.04	32.40	48.7
Rhode Island	14,482	378.80	589.74	53.80	101.74	279.65	440.57	62.98	115.2
Vermont	8,743	378.00	584.50	53.00	96.50	251.97	370.14	35.30	44.8
TOTAL/WGHTD. AVG.	757,105	387.07	569.62	62.07	81.62	253.31	394.53	36.64	69.1
NORTH CENTRAL									
Illinois	119,761	360.23	521.70	35.23	33.70	251.90	359.04	35.23	33.7
Indiana	40,532	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0[illegible]
Iowa	25,530	347.00	532.00	22.00	44.00	238.67	369.34	22.00	44.0
Kansas	19,549	323.00	488.00	0.00	0.00	216.67	325.34	0.00	0.0
Michigan	110,542	351.70	528.00	26.70	40.00	235.27	353.17	18.60	27.8
Minnesota	29,852	360.00	554.00	35.00	66.00	276.00	484.00	59.33	158.6
Nebraska	13,001	386.00	580.00	68.50	99.50	285.17	424.84	68.50	99.5
North Dakota	5,838	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.0
Ohio	115,324	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.0
South Dakota	7,663	340.00	503.00	15.00	15.00	231.67	340.34	15.00	15.0
Wisconsin	62,610	424.70	649.00	99.70	161.00	316.37	486.34	99.70	161[illegible]
TOTAL/WGHTD. AVG.	550,202	353.95	529.70	29.13	41.88	245.49	369.80	28.82	44.4
SOUTH									
Alabama	127,849	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Arkansas	71,503	325.00	488.00	0.00	0.00	216.57	325.34	0.00	0.
Delaware	6,893	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
District of Columbia	14,758	340.00	518.00	15.00	30.00	231.67	355.34	15.00	30.
Florida	170,904	325.00	488.00	0.00	0.00	216.67	324.34	0.00	0.
Georgia	147,945	325.00	488.00	0.00	0.00	216.67	324.34	0.00	0[illegible]
Kentucky	91,685	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Louisiana	123,093	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Maryland	47,197	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Mississippi	109,063	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Missouri	77,074	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
North Carolina	131,937	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Oklahoma	59,081	385.00	608.00	60.00	120.00	276.67	445.34	60.00	120.
South Carolina	81,071	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Tennessee	124,149	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0[illegible]
Texas	244,278	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Virginia	79,320	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
West Virginia	39,571	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
TOTAL/WGHTD. AVG.	1,747,371	327.16	492.31	2.16	4.31	218.83	329.47	2.16	4.
WEST									
Alaska	3,015	586.00	859.00	261.00	371.00	482.00	707.00	265.33	381.
Arizona	29,236	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
California	653,383	504.00	936.00	179.00	448.00	395.67	773.34	179.00	448[illegible]
Colorado	28,366	383.00	766.00	58.00	278.00	274.67	603.34	58.00	278.
Hawaii	9,980	329.90	496.80	4.90	8.80	221.57	334.14	4.90	8.
Idaho	7,542	383.00	514.00	58.00	26.00	294.67	371.34	78.00	46.
Montana	6,678	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Nevada	6,899	361.40	562.46	36.40	74.46	240.94	374.97	24.27	49.
New Mexico	24,600	325.00	488.00	0.00	0.00	216.67	325.34	0.00	0.
Oregon	23,123	326.70	488.00	1.70	0.00	218.37	325.34	1.70	0.
Utah	7,835	335.00	508.00	10.00	20.00	226.67	345.34	10.00	20[illegible]
Washington	43,730	363.30	525.40	38.30	37.40	229.35	341.91	12.68	16[illegible]
Wyoming	1,796	345.00	528.00	20.00	40.00	236.67	365.34	20.00	40.
TOTAL/WGHTD. AVG.	846,183	469.12	847.71	144.12	359.71	359.56	683.99	142.89	358.
NAT TOTAL/WGHTD. AVG.	3,900,861	373.36	589.68	48.38	101.71	259.81	424.69	43.14	99.

EXHIBIT 2.3

SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER SSI, BY STATE
(1984-85 DATA)
(Continued)

	SHELTER PAYMENT: METHODS I & II				HUD Fair Market Rent (0 bdrm., min.)	Method I / FMR	Method II / FMR
	I. 33% (Living Indep.)		II. 33% (Fed., Living Indep.) + x% (State Supplement)				
	Individ.	Couple	Individ.	Couple			
NORTHEAST							
Connecticut	155.23	191.40	200[a]	200[a]	239	64.95%	83.68%
Maine	111.67	167.67	110	166	248	45.03%	44.35%
Massachusetts	151.27	229.91	133	234[b]	261	57.96%	50.96%
New Hampshire	113.00	163.00	117[b]	170[b]	269	42.01%	43.49%
New Jersey	118.75	171.12	123[b]	194[b]	265	44.81%	46.42%
New York	128.64	188.01	161	212	191	67.35%	84.29%
Pennsylvania	119.13	178.90	119	179	155	76.86%	76.86%
Rhode Island	126.27	196.58	133[c]	201[c]	267	47.29%	49.81%
Vermont	126.00	194.83	126	215	254	49.61%	49.61%
TOTAL/WGHTD. AVG.	129.02	189.87	144	206	208	63.96%	71.30%
NORTH CENTRAL							
Illinois	120.08	173.90	120	174	169	71.05%	71.01%
Indiana	108.33	162.67	108	163	205	52.85%	52.85%
Iowa	115.67	177.33	115	178	201	57.55%	57.21%
Kansas	108.33	162.67	108	163	159	68.13%	68.13%
Michigan	117.23	176.00	116	175	208	56.36%	55.77%
Minnesota	120.00	184.67	120	185	195	61.54%	61.54%
Nebraska	128.67	193.33	140[a]	175[a]	188	68.44%	74.47%
North Dakota	108.33	162.67	108	163	207	52.33%	52.33%
Ohio	108.33	162.67	108	163	155	69.89%	69.89%
South Dakota	113.33	167.67	113	168	199	56.95%	56.78%
Wisconsin	141.57	216.33	141[d]	216[d]	188	75.30%	75.00%
TOTAL/WGHTD. AVG.	117.98	176.57	121	181	183	65.30%	65.26%
SOUTH							
Alabama	108.33	162.67	108	163	176	61.55%	61.55%
Arkansas	108.33	162.67	108	163	156	69.44%	69.44%
Delaware	108.33	162.67	108	163	244	44.40%	44.40%
District of Columbia	113.33	172.67	113	173	319	35.53%	35.42%
Florida	108.33	162.67	108	163	198	54.71%	54.71%
Georgia	108.33	162.67	108	163	184	58.88%	58.88%
Kentucky	108.33	162.67	108	163	169	64.10%	64.10%
Louisiana	108.33	162.67	108	163	156	69.44%	69.44%
Maryland	108.33	162.67	108	163	244	44.40%	44.40%
Mississippi	108.33	162.67	108	163	193	56.13%	56.13%
Missouri	108.33	162.67	108	163	159	68.13%	68.13%
North Carolina	108.33	162.67	108	163	170	63.73%	63.73%
Oklahoma	128.33	202.67	128	203	167	76.85%	76.65%
South Carolina	108.33	162.67	108	163	194	55.84%	55.84%
Tennessee	108.33	162.67	108	163	174	62.26%	62.26%
Texas	108.33	162.67	108	163	167	64.87%	64.87%
Virginia	108.33	162.67	108	163	183	59.20%	59.20%
West Virginia	108.33	162.67	108	163	201	53.90%	53.90%
TOTAL/WGHTD. AVG.	109.05	164.10	109	164	179	61.52%	61.51%
WEST							
Alaska	195.33	286.33	196[b]	289[b]	403	48.47%	48.64%
Arizona	108.33	162.67	108	163	233	46.49%	46.35%
California	168.00	312.00	167	311	237	70.89%	70.46%
Colorado	127.67	255.33	127	255	214	59.66%	55.14%
Hawaii	109.97	165.60	110	166	370	29.72%	29.73%
Idaho	127.67	171.33	118[a]	118[a]	214	59.66%	114.80%
Montana	108.33	162.67	108	163	225	48.15%	48.15%
Nevada	120.47	187.49	120	188	297	40.56%	40.40%
New Mexico	108.33	162.67	108	163	197	54.99%	54.99%
Oregon	108.90	162.67	109	163	200	54.45%	54.50%
Utah	111.67	169.33	111	170	192	58.16%	57.81%
Washington	121.10	175.13	134	184	236	51.31%	56.78%
Wyoming	115.00	176.00	115	176	214	53.74%	53.74%
TOTAL/WGHTD. AVG.	156.37	282.57	157	283	236	66.50%	66.40%
NAT TOTAL/WGHTD. AVG.	124.45	196.56	128	200	198	63.61%	65.00%

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a. Explicit shelter maximum under SSI (both Federal and State).

b. States that increase their supplement payment for joint households to reflect costs of caretaking. Shelter payment calculated at 33 percent of the supplement for joint living arrangement.

c. Rhode Island increases its supplement payments for joint households to reflect increased rental costs and costs of caretaking. State welfare officials estimate the shelter component at 40 percent of the payment.

d. Wisconsin officials estimated shelter component at 45 percent of supplement payment for independent living.

average. Overall, however, one is left with the impression of considerable regional uniformity, even after taking special efforts to give fair representation to any state variations in shelter payments that may exist. This regional uniformity in SSI stands in sharp contrast to the treatment of shelter under AFDC.

2.4 State Treatment of Shelter Assistance Under General Assistance (GA)

By far, the greatest disparities both geographically and in program characteristics are found in the third component of the nation's welfare system, most commonly referred to as General Assistance (GA). This is not surprising since, in contrast to both AFDC and SSI, GA is an entirely non-federal welfare program.

General Assistance is the income assistance program for individuals who are needy but ineligible for other welfare programs — most prominently, single unemployables, disabled individuals awaiting SSI determinations, and families that do not qualify for AFDC. In most states, this assistance parallels AFDC or SSI: a standard of need establishes minimum income subsistence levels for families of different sizes, actual payments often fall below these standards, payments are available over time with periodic income recertifications, and a detailed set of rules and regulations guide program operations. In a substantial minority of states, however, GA is considerably less "institutionalized" and stable: for example, in nine states, assistance payments are available only on a temporary basis, and in about 12 states, the payment standard does not appear to be anchored in a true needs standard.

In Fiscal Year 1984, General Assistance programs existed in 38 states; in 29 of these states, funding was borne entirely by the state.[1] In the remaining states, counties or localities either contributed toward the funding pool or assumed sole responsibility for funding themselves. Despite the availability of state funding in three-fourths of the states with GA, in 18 of these states many fundamentals of GA programs, such as recipient eligibility rules, the amount of the GA payment and the length of time a recipient can stay on GA, are determined by counties or localities. What results is a multiplicity of programs across the nation that often defy comparison and present complex data collection problems.

We, therefore made a number of simplifying assumptions in our attempt to characterize GA programs in general and most importantly, to estimate the amount of GA dollars that provide shelter assistance to the poor. In the 20 states with statewide GA programs, we were able to develop state-level GA characteristics through interviews with state officials and reviews of state budget and research documents. In the remaining 18 states where GA programs are inherently local programs, we took one of two approaches: in most cases, we collected information on the one or two counties that accounted for the largest proportion of GA expenditures in the state and inflated these estimates to form state aggregates. For example, Clark and Washoe Counties comprise roughly 90 percent of all GA expenditures in Nevada; Harris County (Houston)

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1. In FY 84, four states — Alabama, Mississippi, South Carolina and West Virginia — had essentially no income assistance available for GA-type populations. In another eight states (Alaska, Arkansas, Colorado, Idaho, North Carolina, Oklahoma, Tennessee and Vermont) only short-term or one-time emergency assistance was available.

represents roughly 75 percent of Texas GA expenditures, and Dade County covers about 90 percent of GA expenditures in Florida. In the remaining states, we relied on various sources (e.g., interviews with state officials, county welfare administrators, surveys of the Association of County Welfare Directors, and the like) to develop a picture of state GA characteristics. Since the states with the largest GA expenditures also tend to be the ones with the most detailed documentation on their programs, errors in our estimates are probably small and are unlikely to affect the overall conclusions substantially.

About the same number of states contain GA program with consolidated shelter payments as states with explicit GA shelter payments.[1] To establish the GA shelter payment per recipient, we used the explicit amount in states where it existed. In the remaining states, we relied on a range of sources: pre-consolidation ratio of shelter payment to total GA payment, state or county officials, or special state GA studies. In five states, we applied the national average ratio of total to shelter GA payments to estimate the actual shelter dollars received by recipients.[2]

Exhibit 2.4 shows the marked variation in GA shelter payments and in the proportion of total GA payments that these shelter amounts represent. There is considerable dispersion around the national average

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1. The trend toward consolidation, however, is clear: several states, including Minnesota and Illinois, moved to consolidated payments in the early 1980s and a number of other states, such as Ohio, are seriously considering consolidation.

2. These states are: Louisiana, Missouri, New Jersey, Rhode Island and South Dakota. The national average was weighted by recipients per state. We chose the national rather than regional average because of the great amount of intra-regional variation.

EXHIBIT 2.4

SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER GENERAL ASSISTANCE, BY STATE (FY 1984)[1]

State	Total G.A. Payment Per Person	G.A. Shelter Payment Per Person	%	HUD Fair Market Rent (0 br., min)	G.A. Shelter / FMR
Connecticut	$268	$176	66%	$239	74%
Maine	$406	$311	77%	$248	125%
Massachusetts	$244	$169	69%	$261	65%
New Jersey	$200	$120	60%	$265	45%
New York	$287	$193	67%	$191	101%
Pennsylvania	$177	$54	30%	$155	35%
Rhode Island	$276	$166	60%	$267	62%
NORTHEAST	$250	$149	60%	$194	77%
Illinois	$154	$114	74%	$169	67%
Iowa	$280	$210	75%	$201	104%
Kansas	$216	$106	49%	$159	67%
Michigan	$218	$153	70%	$208	74%
Minnesota	$236	$173	73%	$195	89%
Nebraska	$240	$225	94%	$188	120%
North Dakota	$210	$200	95%	$207	97%
Ohio	$128	$64	50%	$155	41%
South Dakota	$125	$50	40%	$199	25%
Wisconsin	$175	$78	45%	$188	41%
NORTH CENTRAL	$172	$112	65%	$179	63%

Explanatory notes to this exhibit appear at the end of the chapter.

EXHIBIT 2.4 (Continued)

SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER GENERAL ASSISTANCE, BY STATE (FY 1984)

State	Total G.A. Payment Per Person	G.A. Shelter Payment Per Person	%	HUD Fair Market Rent (0 br., min)	G.A. Shelter / FMR
Delaware	$116	$70	60%	$244	29%
Dist. Columbia	$210	$107	51%	$319	34%
Florida	$180	$108	60%	$198	55%
Georgia	$225	$145	64%	$184	79%
Kentucky	$140	$100	71%	$169	59%
Louisiana	$91	$55	60%	$156	35%
Maryland	$126	$59	47%	$244	24%
Missouri	$80	$64	80%	$159	40%
Texas	109	66	61%	$167	40%
Virginia	$157	$83	53%	$183	45%
SOUTH	$139	$76	55%	$217	35%
Arizona	$130	$36	28%	$233	15%
California	$228	$143	63%	$237	60%
Hawaii	$297	$175	59%	$370	47%
Montana	$212	$130	61%	$225	58%
Nevada	$228	$57	25%	$297	19%
New Mexico	$145	$88	61%	$197	45%
Oregon	$212	$147	69%	$200	74%
Utah	$217	$123	57%	$192	64%
Washington	$303	$189	62%	$236	80%
Wyoming	$145	$60	41%	$214	28%
WEST	$236	$145	61%	$243	60%
NORTHEAST	$250	$149	60%	$194	77%
NORTH CENTRAL	$172	$112	65%	$179	63%
SOUTH	$139	$76	55%	$217	35%
WEST	$236	$145	61%	$243	60%
NATIONAL	$209	$129	62%	$193	67%

GA shelter payment of $129. Payments across the country range from a low of $36 in Arizona to a high of $311 in Maine. Even if these two states were eliminated as outliers, however, GA shelter payments would continue to present a wide range, from less than $100 to $200 or more.

The dispersion in shelter payments is closely related to the dispersion in total GA payments per recipient. Nevada is a clear exception to this rule, however: although its total GA payment is among the 10 highest in the nation at $228 per month, its shelter payment is only 25 percent of this amount, or $57. Since Nevada's payment standard is explicit, this means that $57 is the maximum grant a GA recipient can receive to defray housing expenses, unless a special exception is granted.

Regionally, the absolute level of shelter payments is lowest in the South and highest in the Northeast and West. Because of sharp variations in the number of recipients per state and in the generosity of the shelter payments, the West, for example, can encompass several small states with among the lowest payments in the nation and still retain a high average GA shelter payment.

In contrast to the generally close relationship between total GA payments and the amount that is directed toward shelter costs, GA shelter payments bear little resemblance to the minimum Fair Market Rent in each state. Here, too, the average shelter payment to FMR ratio for the nation hides sizable disparities in this ratio across the country. Only in New York, North Dakota and Iowa are shelter payments for a single individual and FMRs for efficiency units roughly equal. In another six states, these GA payments provide at least three-quarters of the estimated cost of minimally standard housing.[1] But in the majority of states, this ratio is much lower, and falls to less than 30 percent in six states.[2]

2.5 HUD Treatment of Shelter Payments Under Welfare Programs

Variations in shelter assistance for welfare recipients are not limited to those inherent in welfare programs. Welfare recipients who also participate in HUD housing assistance programs (e.g., public housing, Section 8) are subject to further differential treatment (beyond that associated with their dual participation status). The disparity centers on HUD's distinct rules regarding shelter allowances in the nine states with explicit shelter assistance (called "as paid" jurisdictions by HUD)[3] versus those with consolidated grants.

There are two types of disparities. The first is the method used to compute tenant income — the key calculation for determining both eligibility for participation in housing programs and the tenant rent payment. In jurisdictions with explicit shelter and utility grants that exceed the amount the recipient actually receives (such as, for example, when the individual rents a dwelling that costs less than the maximum shelter payment allowed for a family of that size), Public Housing Authorities (PHAs)[4] must count the larger shelter grant the welfare program could allow as income rather than the lesser amount that is actually received by the welfare recipient. While HUD will recognize a formal "ratable reduction" in the published shelter grant — that is, when a welfare agency will only pay a set percentage of the published amount — here, again, the actual shelter payment received by the welfare recipient is ignored.

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[1] "As paid" states are: Connecticut, Georgia, Michigan, Minnesota, Oregon and Washington.

[2] Arizona, Delaware, Maryland, Nevada, South Dakota and Wyoming.

[3] As noted earlier, these states are Hawaii, Idaho, Indiana, Michigan, New Hampshire, New York, Oregon, South Dakota and Vermont. Recently, both Michigan and South Dakota have discontinued their explicit payment approach.

[4] PHAs are the main administrative agencies for assisted housing.

The second disparity arises from the method used to calculate the housing applicant's rent. Three calculations are performed and compared in setting a tenant's rent payment in assisted housing: 30 percent of adjusted income,[1] 10 percent of gross income, or the maximum shelter grant (or ratably reduced grant) in "as paid" jurisdictions. Whichever calculation yields the highest value is set as the tenant's rent payment. Since the welfare shelter grant, ratably reduced or not, is almost always the largest of the three amounts, the PHA is required to adopt it as the tenant's rent.

Several inequities result from these practices. First, the income calculations result in some tenants in "as paid" jurisdictions having nonexistent income counted against them. In extreme cases, the requirement to count the theoretical shelter grant instead of the real shelter payment may render some applicants ineligible for housing assistance.[2] Disadvantaging welfare recipients who have succeeded in economizing on housing costs by finding cheaper units than they could be reimbursed for seems particularly perverse.

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[1] Gross income minus expenditures for necessities such as medical expenses.

[2] This outcome would be expected, for example, if the welfare recipient also had some other source of income such as labor income. Recent evidence from the Panel Study of Income Dynamics indicates that about 10 percent of female heads of households receiving welfare also receive some labor income at the same time (6).

The web of inequities that result from the rent calculations is more complex. Since the welfare program's maximum shelter grant is likely to be greater than either 10 percent of gross income or 30 percent of adjusted gross income, the PHA will set the tenant's rent contribution at the maximum shelter grant amount. By definition, then, these tenants are assigned a heavier housing cost burden than other tenants since their rent-to-income ratios exceed the usual HUD maximums. Furthermore, requiring tenants to make up for the difference between their more economical rents and the higher published maximums out-of-pocket makes little sense. This requirement simply raises the housing cost burden of these tenants and prevents them from using these "surcharge" dollars for other expenditures.

Beyond these tenant inequities lie agency inequities. Welfare agencies are required to contribute a greater amount toward recipient rents in jurisdictions where the welfare rent is established as the tenant's rent than in consolidated payment states. In addition, a greater proportion of welfare dollars defray housing costs for housing assistance recipients in "as paid" versus other jurisdictions. Finally, while HUD makes up the difference between 10 percent of a tenant's gross income and the FMR for recipients in consolidated states and for nonrecipients in all states, more of this expenditure burden is borne by welfare agencies in "as paid" states.

Our 1984-5 AFDC data on the shelter grants and payments in the nine "as paid" states provide some insights into the prevalence and magnitude of these inequities. Exhibit 2.2 suggests that concern about variations in treatment which result from income calculations is justified in Idaho, Indiana, and Vermont, as these are the three states in which actual shelter payments fall below the maximum shelter grant. Thus, in Idaho, a housing assistance applicant's income is estimated to be 19 percent greater than it actually is; in Vermont, income is overstated by 17 percent, and in Indiana, by about 5 percent. If, however, the less than maximum funding represents a formal ratable reduction in these states, there is no basis for concern about this particular form of inequity.

The prevalence of unequal treatment resulting from rent setting rules is more widespread. Assuming that welfare is the sole source of income for recipients, all "as paid" states set shelter grants at levels that are at least double 10 percent of gross income.[1]

2.6 Shelter Assistance Under Welfare: The Aggregate Picture

The intricacies of each state's approach to shelter assistance under each of the three welfare programs provides part of the picture of the inequities in shelter subsidies across the nation. Aggregate characteristics complete the picture.

Three sets of aggregate characteristics are most revealing. The first includes each state's budget allocation to shelter assistance under each welfare program. Comparing these aggregate budgets indicates whether states that have relatively generous shelter assistance allocations in one program are also likely to have generous allocations in another. Alternatively, such non-neutral incentives as the availability of a federal match for some programs but not others may lead a state to concentrate its resources on the federally matched programs. Since the overlap in eligibility for AFDC, SSI and GA is only marginal, this strategy means that, within a given state, some needy groups receive relatively more assistance than others.

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[1] This assumes that the AFDC grant is the family's sole source of income. Estimates are based on 4-person family size. See Exhibit 2.2.

Paralleling the variation in shelter assistance in each welfare program within states is the resulting inter-state imbalance in shelter funding under the different welfare programs across the country.

Finally, we can compare the generosity of total shelter allocations across states. This comparison is similar to that directed at the broader question of state differences in welfare budgets. Here, however, we refocus the question on the shelter component of welfare budgets.

All three sets of comparisons attempt to tap the concept of relative shelter generosity. Since the number of needy individuals in each state varies widely, comparisons of absolute dollar allocations would provide a distorted view of relative generosity. Therefore, a "per capita recipient" base is used in all comparisons.[1]

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[1] This procedure introduces some bias of its own, since it assumes that the average recipients in a month are likely to remain recipients over the full year (i.e., average monthly recipients = average annual recipients). This is unlikely to be the case, particularly for General Assistance programs. However, since this bias should be consistent across all states and we are interested in relative rather than absolute values, we believe it will not distort the main results.

2.6.1 Results

Exhibit 2.5 provides the necessary data for comparing the relative shelter generosity of AFDC, SSI and GA within each state. It lists the total shelter payments and monthly recipients for each program along with the resulting measure of shelter generosity: that is, the per recipient monthly shelter allocation. These three measures of generosity are plotted for each state in Exhibit 2.6.

There are sizable disparities in shelter generosity under the three programs in many states. The greatest dispersion exists in Alaska, where the per capita monthly shelter allocation under SSI is $186, under AFDC is $64, and under GA is $0. Other states with large variations include Colorado, Iowa, and Minnesota. At the other extreme, Virginia, South Dakota, Utah and Kansas have per capita shelter allocations that fall within $25 of each other under the three programs. In contrast to Alaska and other states with substantial dispersion, these more uniform states also tend to have per capita allocations that fall in the lower end of the generosity range. This pattern suggests that states that are relatively more generous in one welfare program are not necessarily likely to be generous at all. On the other hand, it is somewhat more likely that states with relatively low generosity in one or two programs will be ungenerous in all.

Another unexpected pattern that emerges from these data concerns which programs states are more likely to fund generously. Contrary to expectations, General Assistance programs for which federal matching dollars are not available have the highest per capita shelter

EXHIBIT 2.5

AFDC, SSI AND GA SHELTER ALLOCATIONS, RECIPIENTS AND PER CAPITA ALLOCATIONS

STATE	AFDC SHELTER PAYMENTS	AFDC RECIPIENTS PER MONTH	AFDC SHELTER PER RECIP. (Monthly)	SSI SHELTER PAYMENTS	SSI RECIPIENTS PER MONTH	SSI SHELTER PER RECIP. (Monthly)	GA SHELTER PAYMENTS	GA RECIPIENTS PER MONTH	GA SHELTER PER RECIP
Alabama	$21,887,717	154,426	$12	$91,798,153	127,849	$60	0	0	*
Alaska	$10,094,527	13,238	$64	$6,724,994	3,015	$186	0	0	*
Arizona	$22,004,852	65,579	$28	$26,105,056	29,236	$74	$1,729,030	4,313	$33
Arkansas	$6,354,607	63,574	$8	$45,351,464	71,503	$53	0	0	*
California	$1,052,699,682	1,514,441	$58	$746,153,711	653,383	$95	$87,547,685	71,070	$103
Colorado	$27,394,355	67,372	$34	$36,746,658	28,366	$108	0	0	*
Connecticut	$83,938,608	127,048	$55	$30,231,643	23,943	$105	$37,060,290	29,441	$105
Delaware	$7,800,003	25,400	$26	$5,211,812	6,893	$63	$2,071,360	3,633	$48
Dist. Columbia	$21,599,988	72,000	$25	$13,976,936	14,758	$79	$6,668,760	5,671	$98
Florida	$72,991,296	266,369	$23	$140,821,583	170,904	$69	$2,700,000	1,940	$11
Georgia	$55,659,027	239,363	$19	$103,499,982	147,945	$58	$1,186,451	3,750	$26
Hawaii	$49,230,501	50,200	$82	$9,176,749	9,980	$77	$10,841,961	8,424	$107
Idaho	$5,383,043	18,544	$24	$6,759,324	7,542	$75	0	0	*
Illinois	$380,186,593	730,460	$43	$109,681,031	119,761	$76	$174,413,982	146,547	$99
Indiana	$48,212,550	167,696	$24	$30,709,929	40,532	$63	0	0	*
Iowa	$13,184,420	111,000	$10	$16,816,652	25,530	$55	$1,465,428	1,053	$1
Kansas	$28,274,982	69,494	$34	$13,414,658	19,549	$57	$7,531,994	13,036	$48
Kentucky	$37,540,103	150,616	$21	$74,695,196	91,685	$68	$642,000	557	$96
Louisiana	$42,976,720	213,151	$17	$91,991,133	123,093	$62	$2,169,693	3,367	$54
Maine	$18,353,040	62,000	$25	$13,090,358	20,684	$53	$6,273,465	10,949	$48
Maryland	$94,101,048	192,448	$41	$39,923,341	47,197	$70	$17,051,212	22,161	$64
Massachusetts	$144,685,901	245,825	$49	$92,101,122	108,378	$71	$53,843,233	32,232	$1
Michigan	$328,668,463	750,914	$36	$102,975,368	110,542	$78	$245,670,275	177,584	$11
Minnesota	$68,925,775	146,490	$39	$22,890,044	29,852	$64	$29,658,464	16,537	$149
Mississippi	$12,259,207	148,482	$7	$76,786,987	109,063	$59	0	0	*
Missouri	$60,000,009	190,000	$26	$58,534,479	77,074	$63	$4,327,061	5,136	$70
Montana	$11,909,944	17,263	$57	$5,054,161	6,678	$63	$1,416,721	1,399	$8
Nebraska	$16,743,495	40,910	$34	$10,666,600	13,001	$68	$964,962	1,065	$7
Nevada	$3,415,829	13,044	$22	$5,524,448	6,899	$67	$140,756	408	$2
New Hampshire	$11,114,997	18,192	$51	$6,842,982	5,308	$107	$844,923	1,244	$5
New Jersey	$135,252,398	407,240	$28	$78,471,485	85,078	$77	$26,893,370	31,014	$7
New Mexico	$22,299,593	42,550	$44	$18,857,447	24,600	$64	$658,380	653	$8
New York	$917,242,079	1,081,264	$71	$327,459,917	336,463	$81	$389,143,116	265,723	$1
North Carolina	$43,621,105	169,755	$21	$105,049,494	131,937	$66	0	0	
North Dakota	$3,685,239	10,815	$28	$4,285,905	5,838	$61	$204,379	290	$5
Ohio	$204,746,967	652,651	$26	$94,579,874	115,324	$68	$96,146,877	164,976	$4
Oklahoma	$22,957,998	69,645	$27	$50,364,296	59,081	$71	0	0	
Oregon	$37,920,452	72,323	$44	$22,584,408	23,123	$81	$3,716,799	5,509	$5
Pennsylvania	$218,099,133	559,152	$33	$134,517,547	154,026	$73	$81,178,292	146,300	$
Rhode Island	$20,438,569	45,282	$38	$11,719,495	14,482	$67	$6,670,062	6,149	$9
South Carolina	$20,496,910	133,793	$13	$58,283,504	81,071	$60	0	0	
South Dakota	$8,809,148	16,676	$44	$5,207,813	7,663	$57	$109,630	147	$6
Tennessee	$24,684,378	151,399	$14	$89,331,733	124,149	$60	0	0	
Texas	$56,952,848	302,646	$16	$161,298,869	244,278	$55	$2,769,400	5,000	$4
Utah	$21,062,593	36,097	$49	$6,058,727	7,835	$64	$3,238,166	3,795	$
Vermont	$14,811,269	24,827	$50	$7,259,607	8,743	$69	0	0	
Virginia	$89,657,770	160,556	$47	$60,567,609	79,320	$64	$5,716,499	10,205	$4
Washington	$134,339,912	158,978	$70	$38,678,798	43,730	$74	$20,038,828	13,569	$12
West Virginia	$16,011,334	92,894	$14	$33,001,700	39,571	$69	0	0	
Wisconsin	$136,200,352	258,503	$44	$53,242,009	62,610	$71	$19,465,380	25,047	$6
Wyoming	$3,269,208	7,161	$38	$1,324,868	1,796	$61	$775,504	917	$7

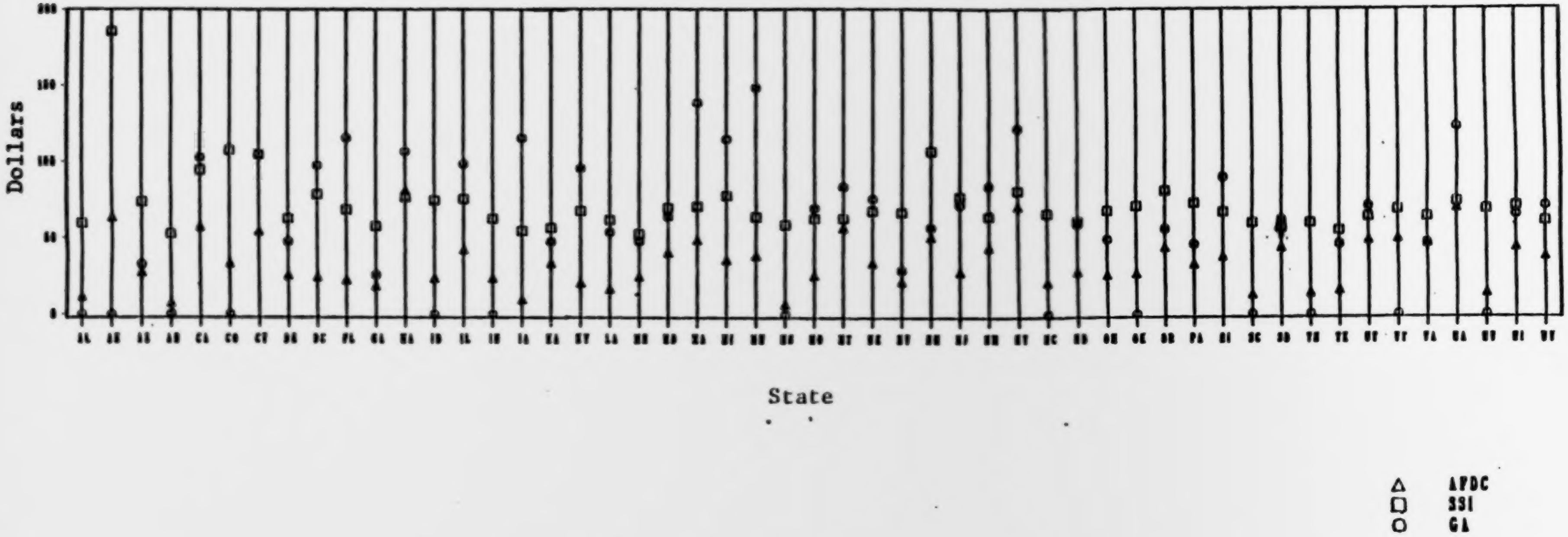
NOTES FOR EXHIBIT 2.5

1. Total shelter payments for each program are divided by 12 and then divided by average monthly recipients.

2. See explanatory notes at end of chapter for assumptions underlying GA estimates. Note that since data on both recipients and cases were missing for Florida and South Dakota, we derived recipients by applying the national average of recipients to GA expenditures to each state's GA expenditures.

EXHIBIT 2.6

VARIATIONS IN SHELTER ALLOCATION PER RECIPIENT BY WELFARE PROGRAM



allocations in 21 states.[1] While the federally-matched SSI program is the most generously funded in the majority of the states, this majority is not overwhelming (58.8 percent). In no state is the AFDC program the most generously funded.

A different perspective on intra-state variation results from shifting the base of comparison from a state's per capita allocations to its standing relative to other states. This is done by comparing a state's ranking on shelter generosity in each of the three programs. These rankings are listed in Exhibit 2.7 and graphed in Exhibit 2.8. Virginia, for example, has relatively low dispersion in generosity when measured in per capita allocations but greater dispersion when it is ranked relative to the other states. Virginia provides a clear illustration of the much smaller range in per capita allocations under AFDC compared to GA (or SSI): although its per capita budget for each program is $47, it ranks 12th under AFDC and 33rd under GA. In contrast, Hawaii, New York, Connecticut, California and Washington have consistently high rankings on all three programs, while Alabama, Arizona, Mississippi, South Carolina and Tennessee have consistently low rankings.

Two findings emerge from these different perspectives on intra-state variations in the generosity of shelter allocations. First, since the most generously funded welfare programs are not uniformly those that are federally matched, concerns about such financial incentives biasing

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[1] There are several notable exceptions to this pattern including Alaska, Colorado, and Iowa. In many of these cases, however, the absence of a General Assistance program accounts for the greater dispersion by rank.

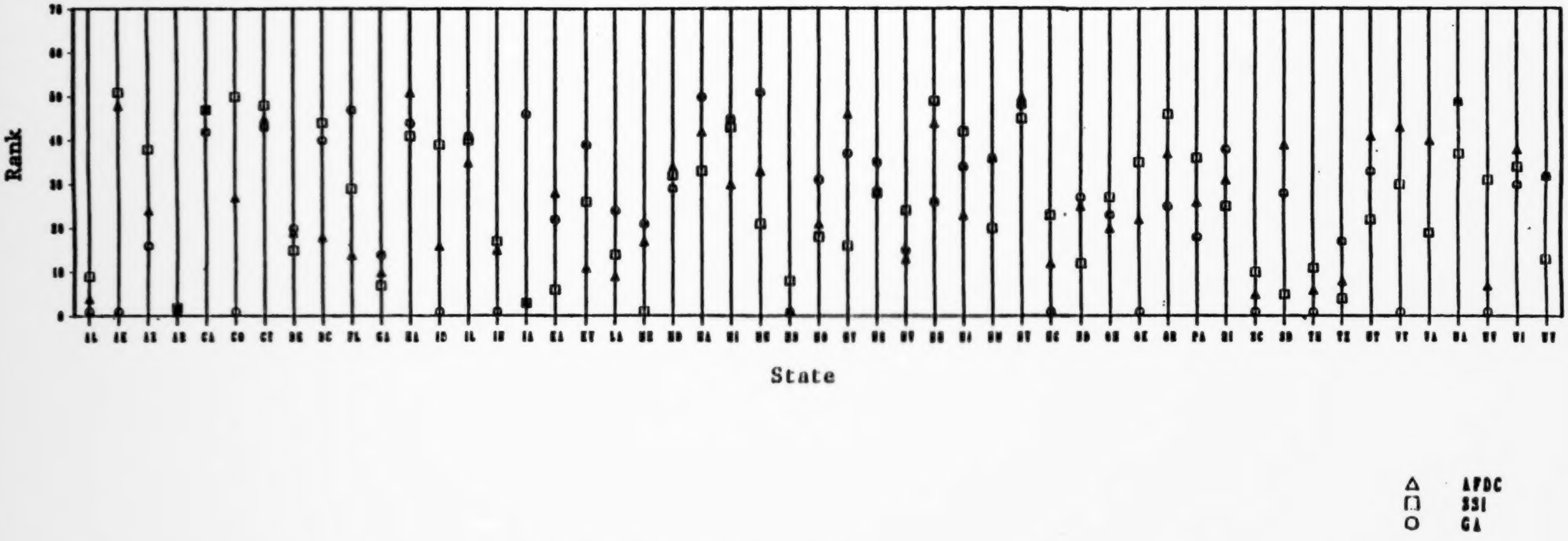
EXHIBIT 2.7

AFDC, SSI AND GA RANKS BY PER CAPITA SHELTER ALLOCATIONS

STATE	RANK BY AFDC SHELTER PER RECIPIENT	RANK BY SSI SHELTER PER RECIPIENT	RANK BY GA SHELTER PER RECIPIENT
Hawaii	1	11	8
New York	2	7	4
Washington	3	15	3
Alaska	4	1	*
California	5	5	10
Montana	6	36	15
Connecticut	7	4	9
New Hampshire	8	3	26
Vermont	9	22	*
Massachusetts	10	19	2
Utah	11	30	19
Virginia	12	33	33
South Dakota	13	47	24
Wisconsin	14	18	22
Oregon	15	6	27
New Mexico	16	32	16
Illinois	17	12	11
Maryland	18	20	23
Minnesota	19	31	1
Wyoming	20	39	20
Rhode Island	21	27	14
Michigan	22	9	7
Nebraska	23	24	17
Kansas	24	46	30
Colorado	25	2	*
Pennsylvania	26	16	34
North Dakota	27	40	25
Arizona	28	14	36
New Jersey	29	10	18
Oklahoma	30	17	*
Missouri	31	34	21
Ohio	32	25	29
Delaware	33	37	32
Dist. Columbia	34	8	12
Maine	35	51	31
Idaho	36	13	*
Indiana	37	35	*
Florida	38	23	5
Nevada	39	28	37
North Carolina	40	29	*
Kentucky	41	26	13
Georgia	42	45	38
Louisiana	43	38	28
Texas	44	48	35
West Virginia	45	21	*
Tennessee	46	41	*
South Carolina	47	42	*
Alabama	48	43	*
Iowa	49	49	6
Arkansas	50	50	*
Mississippi	51	44	*

EXHIBIT 2.8

SHELTER ALLOCATION PER RECIPIENT RANK
BY WELFARE PROGRAM



Note: Numerical ranks were reversed so that states that are more generous have a higher numerical rank.

state funding decisions have little empirical foundation. Second, although states that have the most generous per capita shelter allocation in a particular welfare program are not very likely to be equally generous in all programs, at a somewhat lower per capita allocation level a few states do emerge as more consistently generous across programs. New York, California and Connecticut are the three states that rank in the top 10 on shelter generosity in all three welfare programs.

The disaggregate data on the actual shelter grants paid to recipients reviewed earlier in Section 2.3 lead to a similar conclusion. While most of the states that have the highest ratios in one program do not have equally high ratios in the others, a few states with somewhat lower ratios tend to provide actual shelter grants that are more uniformly in line with their area's FMR. This small group of states overlaps with those that have consistently high rankings and allocations in the aggregate data.

These conclusions are further supported by examining interstate variations in shelter generosity in the three welfare programs. We have taken the same two-part approach in these analyses. Exhibit 2.9 plots each state's per capita monthly budget allocations for shelter, again using the data from Exhibit 2.5, while Exhibit 2.10 plots the rankings. Here, however, we shift to horizontal lines connecting the states rather than vertical lines for each state to demonstrate the variation across the nation both within and between programs. While the consistency of shelter allocations in the three programs across the 51 jurisdictions is relatively weak, once again it is much stronger in a

EXHIBIT 2.9

VARIATIONS IN SHELTER ALLOCATION PER RECIPIENT BY WELFARE PROGRAM

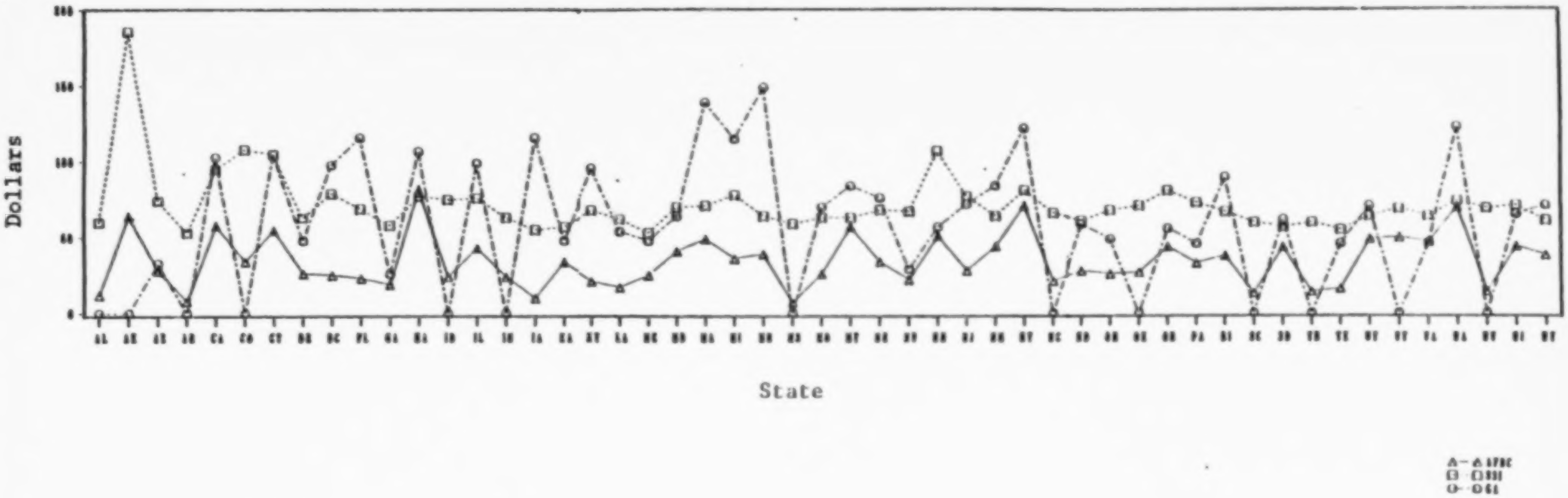
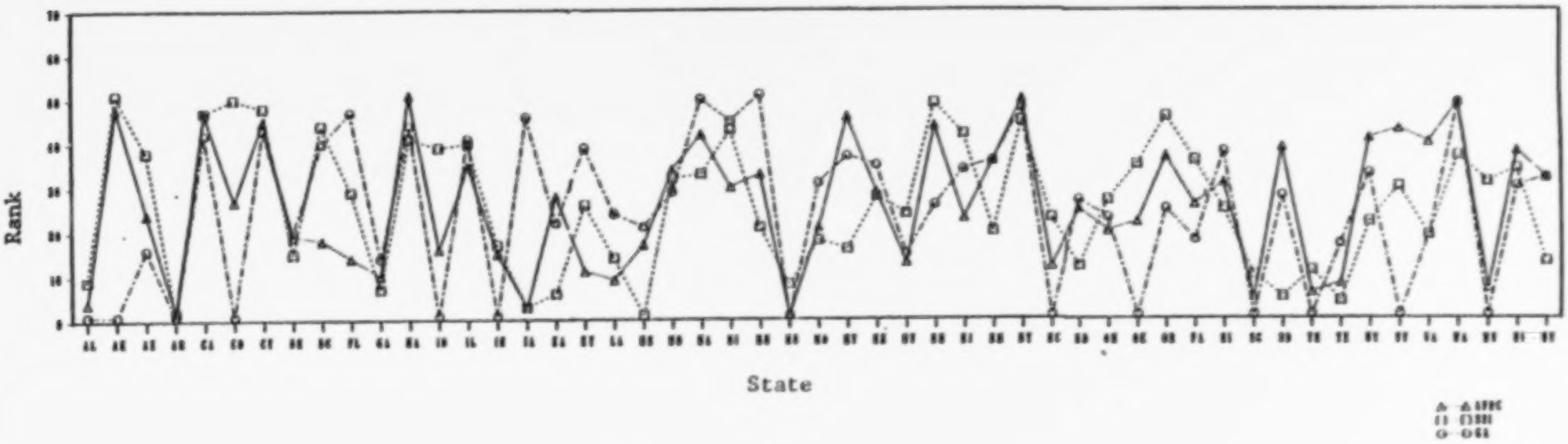


EXHIBIT 2.10

SHELTER ALLOCATION PER RECIPIENT RANK
BY WELFARE PROGRAM



Note: Numerical ranks were reversed so that states that are more generous have a higher numerical rank.

few states; in particular, California, New York and Washington. Furthermore, the relationship between funding levels is considerably stronger for AFDC and GA programs (r=.49) and AFDC and SSI programs (r=.48) than for SSI and GA programs (r=.26).[1]

The third component of this aggregate analysis, the variation in total shelter allocation generosity across the nation, is addressed in Exhibit 2.11. The first three data columns show the total shelter allocations under AFDC, SSI and GA in each state, the sum of recipients across these programs, and the resulting shelter generosity of the state's welfare system. A factor of more than two, on average, divides the shelter allocations of the most generous 10 percent of states and the least generous 10 percent. The most generous state, Alaska, provides more than four and a half times the level of shelter assistance than the least generous state, Iowa. Alaska's lead in generosity, however, is accounted for largely by its extremely small recipient population. It should also be noted that Alaska has no GA program; total shelter allocations, therefore, represent SSI and AFDC alone. At the other end of the continuum, Iowa has more than eight times the recipients of Alaska and also funds a GA program.

Exhibit 2.12 provides another view of the variation in shelter generosity. The largest number of states falling into one shelter allocation per capita interval is 17 (33 percent of all states), even when the interval encompasses as large a range as $100. Compressing the interval, of course, yields more dramatic results: the largest number

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[1] Pearson Correlation coefficients.

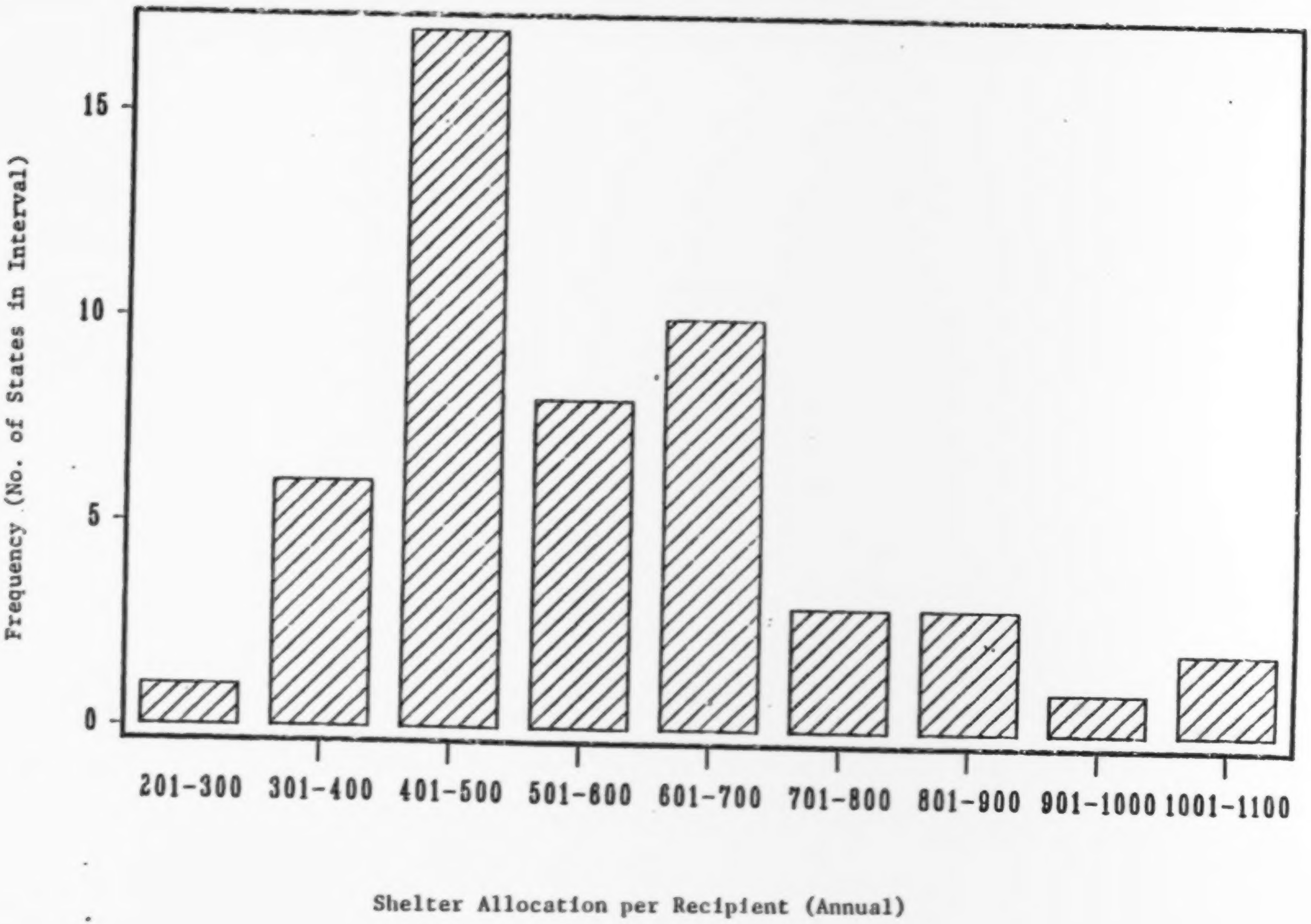
EXHIBIT 2.11

VARIATION IN TOTAL WELFARE SHELTER ALLOCATION GENEROSITY

STATE	TOTAL SHELTER PAYMENTS	TOTAL RECIPIENTS PER MONTH	TOTAL SHELTER PAYMENTS PER RECIPIENT (Annual)	RANK BY NUMBER OF RECIPIENTS	RANK BY SHELTER PAYMENT PER RECIPIENT
California	$1,886,401,077	2,238,894	$843	1	5
New York	$1,633,845,113	1,683,450	$971	2	3
Michigan	$677,314,107	1,039,040	$652	3	13
Illinois	$664,281,606	996,768	$666	4	11
Ohio	$395,473,719	932,951	$424	5	38
Pennsylvania	$433,794,972	859,478	$505	6	26
Texas	$221,021,116	551,924	$400	7	45
New Jersey	$240,617,254	523,332	$460	8	34
Florida	$216,512,879	439,213	$493	9	28
Georgia	$160,345,460	391,058	$410	10	41
Massachusetts	$290,630,256	386,435	$752	11	8
Wisconsin	$208,907,741	346,160	$604	12	19
Louisiana	$137,137,546	339,611	$404	13	42
North Carolina	$148,670,599	301,692	$493	14	29
Alabama	$113,685,870	282,275	$403	15	44
Tennessee	$114,016,111	275,548	$414	16	40
Missouri	$122,861,549	272,210	$451	17	36
Maryland	$151,075,600	261,806	$577	18	21
Mississippi	$89,046,194	257,545	$346	19	50
Virginia	$155,941,879	250,081	$624	20	17
Kentucky	$112,877,299	242,858	$465	21	33
Washington	$193,057,538	216,277	$893	22	4
South Carolina	$78,780,414	214,864	$367	23	49
Indiana	$78,922,479	208,228	$379	24	47
Minnesota	$121,474,283	192,879	$630	25	16
Connecticut	$151,230,542	180,432	$838	26	6
Iowa	$31,466,499	137,583	$229	27	51
Arkansas	$51,706,071	135,077	$383	28	46
West Virginia	$49,013,034	132,465	$370	29	48
Oklahoma	$73,322,294	128,726	$570	30	23
Kansas	$49,221,635	102,079	$482	31	31
Oregon	$64,221,658	100,955	$636	32	14
Arizona	$49,838,938	99,128	$503	33	27
Colorado	$64,141,014	95,738	$670	34	10
Maine	$37,716,862	93,633	$403	35	43
Dist. Columbia	$42,245,684	92,429	$457	36	35
Hawaii	$69,249,211	68,604	$1,009	37	2
New Mexico	$41,815,420	67,803	$617	38	18
Rhode Island	$38,828,126	65,913	$589	39	20
Nebraska	$28,375,057	54,976	$516	40	25
Utah	$30,359,486	47,727	$636	41	15
Delaware	$15,083,175	35,926	$420	42	39
Vermont	$22,070,876	33,570	$657	43	12
Idaho	$12,142,367	26,086	$465	44	32
Montana	$18,380,827	25,340	$725	45	9
New Hampshire	$18,802,902	24,744	$760	46	7
South Dakota	$14,126,590	24,486	$577	47	22
Nevada	$9,081,032	20,351	$446	48	37
North Dakota	$8,175,523	16,943	$483	49	30
Alaska	$16,819,521	16,253	$1,035	50	1
Wyoming	$5,369,580	9,874	$544	51	24

EXHIBIT 2.12

DISTRIBUTION OF WELFARE SHELTER ALLOCATIONS PER RECIPIENT



of states with shelter allocations per capita within $25 of each other is eight.[1]

The final two columns of Exhibit 2.11 rank states by their number of welfare recipients and their welfare shelter generosity. California and New York are the only two states that rank high in terms of both recipients and generosity. Alaska, for example, is the most generous state overall, but ranks fiftieth in number of recipients. At other points in the continuum, only very few states have similar rankings on both dimensions; these include Massachusetts, Maryland, Virginia, the District of Columbia, and Kansas (which ranks thirty-first on both recipients and generosity). The absence of a relationship between the size of the recipient population and shelter allocation generosity is clearly demonstrated in Exhibit 2.13 which plots each state's rankings on these two dimensions.

Viewed more broadly, however, the 10 states that have the largest poverty populations in the country (accounting for more than 50 percent of the nation's poor) also rank among the top states in total welfare shelter allocations. Among these consistently high ranking states are California, New York, Illinois, Pennsylvania, Ohio and Michigan. These patterns are shown in Exhibit 2.14.[2]

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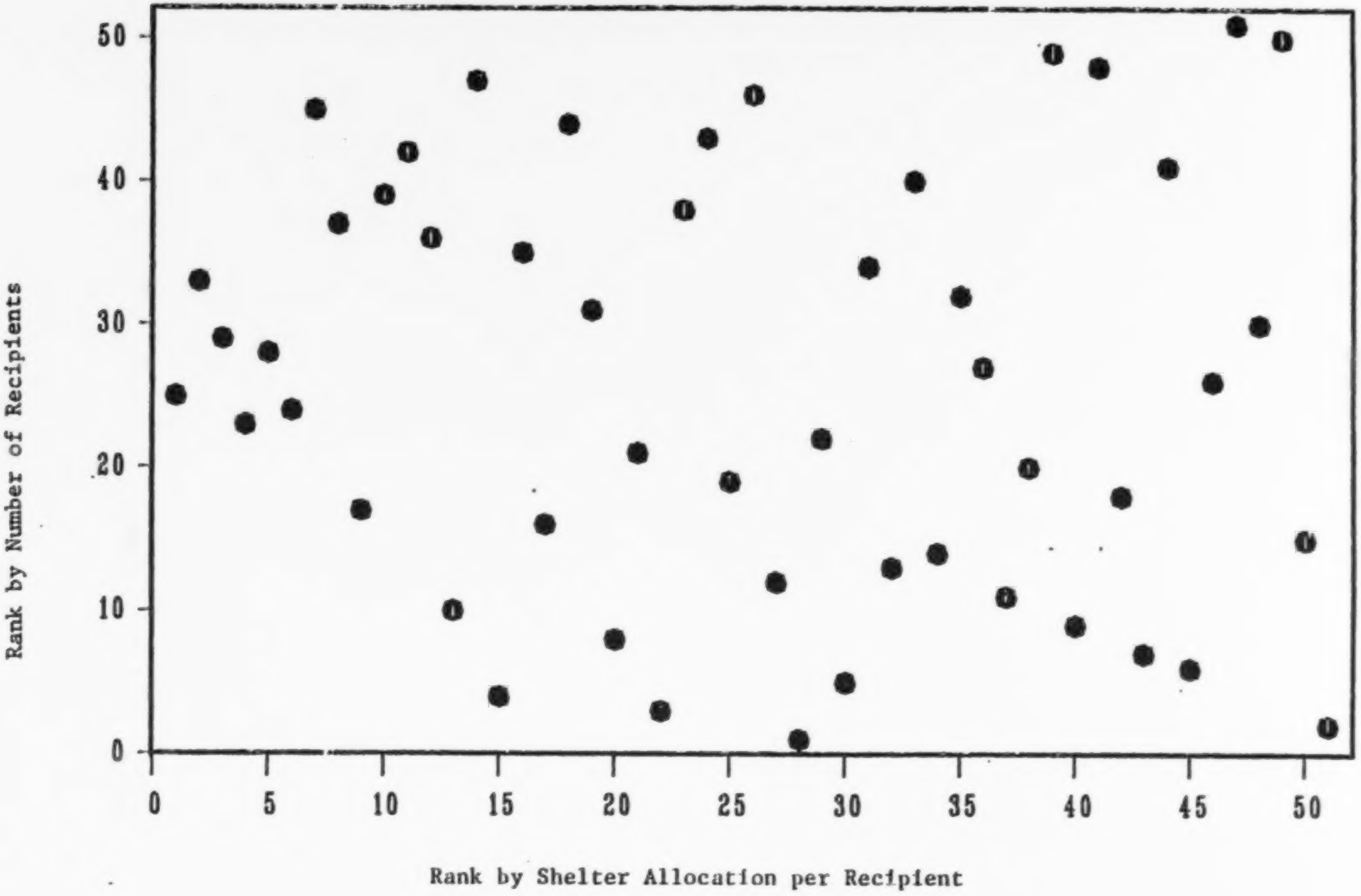
1. These eight states fall within the shelter allocation per capita interval of $400 to $424. In addition to these eight states, three groups of six states each also fall within $25 of each other. The intervals for these groups are $482 to $505, $446 to $465, and $379 to $404, respectively.

2. Pennsylvania and Ohio rank consistently highly here but not on recipients and per capita allocations because although they have a large pool of recipients, their per capita allocations are below the median.

EXHIBIT 2.13

RELATIONSHIP BETWEEN NUMBER OF RECIPIENTS AND GENEROSITY OF WELFARE SHELTER ALLOCATION



Note: In Exhibit 2.11 rank = 1 refers to most generous state and rank = 51 to least generous. In contrast, this figure assigns lowest numerical rank to the least generous state.

EXHIBIT 2.14

SIZE AND RANK OF STATES BY TOTAL POPULATION, POPULATION IN POVERTY AND TOTAL WELFARE SHELTER ALLOCATIONS

STATE	1980 POPULATION	RANK BY POPULATION	1980 POPULATION IN POVERTY	RANK BY POPULATION IN POVERTY	TOTAL SHELTER PAYMENTS	RANK BY TOTAL SHELT. PAYMENTS
California	23,667,902	1	2,626,600	1	$1,886,401,077	1
New York	17,558,072	2	2,298,900	2	$1,633,845,113	2
Texas	14,229,191	3	2,035,900	3	$221,021,116	9
Florida	9,746,324	7	1,287,100	4	$216,512,879	10
Illinois	11,426,518	5	1,230,500	5	$664,281,606	4
Pennsylvania	11,863,895	4	1,209,800	6	$433,794,972	5
Ohio	10,797,630	6	1,089,000	7	$395,473,719	6
Michigan	9,262,078	8	945,900	8	$677,314,107	3
Georgia	5,463,105	13	884,400	9	$160,345,460	13
North Carolina	5,881,766	10	839,900	10	$148,670,599	17
Louisiana	4,205,900	19	764,800	11	$137,137,546	18
Tennessee	4,591,120	17	736,500	12	$114,016,111	21
Alabama	3,893,888	22	719,900	13	$113,685,870	22
New Jersey	7,364,823	9	689,500	14	$240,617,254	8
Kentucky	3,660,777	23	626,200	15	$112,877,299	23
Virginia	5,346,818	14	611,300	16	$155,941,879	14
Mississippi	2,520,638	31	587,400	17	$89,046,194	24
Missouri	4,916,686	15	582,300	18	$122,861,549	19
Massachusetts	5,737,037	11	532,500	19	$290,630,256	7
Indiana	5,490,224	12	516,200	20	$78,922,479	25
South Carolina	3,121,820	24	500,400	21	$78,780,414	26
Arkansas	2,286,435	33	423,600	22	$51,706,071	31
Maryland	4,216,975	18	404,600	23	$151,075,600	16
Wisconsin	4,705,767	16	397,800	24	$208,907,741	11
Washington	4,132,156	20	395,600	25	$193,057,538	12
Oklahoma	3,025,290	26	393,900	26	$73,322,294	27
Minnesota	4,075,970	21	375,000	27	$121,474,283	20
Arizona	2,718,215	29	351,400	28	$49,838,938	32
West Virginia	1,949,644	34	287,000	29	$49,013,034	34
Iowa	2,913,808	27	286,200	30	$31,466,499	39
Colorado	2,889,964	28	284,900	31	$64,141,014	30
Oregon	2,633,105	30	274,200	32	$64,221,658	29
Connecticut	3,107,576	25	242,600	33	$151,230,542	15
Kansas	2,363,679	32	231,700	34	$49,221,635	33
New Mexico	1,302,894	37	225,500	35	$41,815,420	36
Nebraska	1,569,825	35	163,300	36	$28,375,057	41
Utah	1,461,037	36	148,000	37	$30,359,486	40
Maine	1,124,660	38	141,000	38	$37,716,862	38
Idaho	943,935	41	116,800	39	$12,142,367	48
Dist. Columbia	638,333	47	113,400	40	$42,245,684	35
South Dakota	690,768	45	112,700	41	$14,126,590	47
Montana	786,690	44	94,300	42	$18,380,827	44
Rhode Island	947,154	40	94,000	43	$38,828,126	37
Hawaii	964,691	39	91,600	44	$69,249,211	28
North Dakota	652,717	46	79,300	45	$8,175,523	50
New Hampshire	920,610	42	75,400	46	$18,802,902	43
Nevada	800,493	43	68,700	47	$9,081,032	49
Delaware	594,338	48	68,400	48	$15,083,175	46
Vermont	511,456	49	59,100	49	$22,070,876	42
Alaska	401,851	51	41,600	50	$16,819,521	45
Wyoming	469,557	50	36,300	51	$5,369,580	51

While the size of the poverty population in these states is larger than that of other states, their ratios of poverty to non-poverty population are about at the mean. Using this ratio as a measure of fiscal dependence provides some insight into the variation in state funding decisions. The fact that Mississippi, for example, ranks at roughly the middle of the distribution on shelter allocations rather than at the top may have as much to do with the fact that its fiscal dependency ratio is more than two times the average ratio as with its "taste" for redistribution.[1,2]

2.7 Summary

The current system of shelter assistance inherent in general welfare programs essentially guarantees that similar individuals living in different locations in the U.S. will not be treated similarly. Depending on whether shelter subsidies are explicit or embedded in a consolidated grant, based on a realistic need standard that is updated regularly and funded fully, adjusted for such variables as family size and high versus low cost areas within the jurisdiction, recipients will either receive shelter payments that afford them decent housing or not. On average, neither AFDC, SSI nor GA provide shelter payments that

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1. The average ratio of the poverty to non-poverty population in the U.S. in 1980 was about .14.

2. Another indicator of generosity is the restrictiveness of eligibility rules for participation in welfare programs. One way to measure this concept is to look at the ratio of recipients to the total poverty population. Unfortunately, we have no way to estimate this precisely since our recipient data are for 1984 while the poverty population estimates are for 1980. Assuming no major shifts among states in the intervening years, however, these ratios can provide some insight into the relative standing of states. Mississippi's ratio is roughly in the middle of the distribution while those for California and New York, are, again, at the top.

equal the lowest estimates of the cost of standard quality rental housing, as shown in the last three columns of Exhibit 2.15.

Vertical equity (that is, the treatment of different groups of needy individuals) fares no better. Overall, SSI recipients, predominantly the poor elderly, are treated more consistently and generously than GA and AFDC recipients. While there is some variation between these program's shelter payment levels in the Northeast and North Central regions, the main source of variation lies in the South where SSI funds nearly two-thirds of the FMR but AFDC and GA fund only one-quarter and one-third, respectively.

With the exception of a handful of states, states that generously fund shelter subsidies in one welfare program are not more likely to generously fund them in all. (As an aside, since there is no tendency for the more generously funded programs to be those for which federal matching dollars are available, there is also no basis for concern that the presence of a federal match has a non-neutral effect on state funding decisions.) On the other hand, there is a somewhat clearer pattern of consistency among ungenerous states: at the lower end of the funding continuum, states providing less generous shelter allocations in one or two programs appear somewhat more likely to provide uniformly low allocations in all three programs.

In the face of so much dispersion at the upper end of shelter funding and greater uniformity only at the lower end, the few states that emerge as consistently generous are all the more impressive. Among these, California and New York are particularly noteworthy as they are also the states with the largest recipient populations. Since these

EXHIBIT 2.15

COMPARISON OF SHELTER PAYMENTS UNDER AFDC VS. SSI (1984-85 DATA)

	AFDC Shelter Payment 4-person Family	Fair Market Rent 2-bedroom Unit	SSI Shelter Payment, Single-person Household	Fair Market Rent 0-bedroom	GA Shelter Payment, Single-Person Household	AFDC Shelter Payment: Fair Market Rent	SSI Shelter Payment: Fair Market Rent	GA Shelter Payment: Fair Market Rent
Northeast	$178	$286	$144	$208	$149	61%	71%	77%
North Central	$141	$268	$121	$183	$112	53%	65%	62%
South	$ 77	$276	$109	$179	$ 75	26%	62%	34%
West	$208	$326	$157	$236	$145	64%	66%	60%
Weighted Average:	$144	$290	$128	$198	$129	49%	65%	67%

Notes:
(1) AFDC shelter payment calculations assume national distribution of family size for each state.
(2) Regional and national AFDC averages were computed by weighting each state's shelter payment and shelter payment:FMR ratio by the state's average monthly caseload.
(3) Regional and national SSI averages were computed by weighting each state's shelter payment and shelter payment:FMR ratio by the state's total caseload.
(4) SSI shelter payments and shelter payment: FMR ratio calculations ues Method II described in text which combines the 33 percent reduction in the Federal payment with the specific adjustment made by each state that provided supplementary SSI payments.
(5) Regional and national GA averages were computed by weighting each state's shelter payment and shelter payment:FMR ratio by the state's average monthly recipients.

states' fiscal dependency ratios (i.e., the ratio of the poverty population to the non-poverty population) are no lower than the mean for all states, it can be argued that their higher shelter allocations are a reasonable reflection of their generosity. In contrast, generosity may have less to do with the low shelter allocations of Arkansas and Mississippi, for example, which have fiscal dependency ratios that are much higher than average.

FOOTNOTES TO EXHIBIT 2.4: SUMMARY STATISTICS ON SHELTER ASSISTANCE UNDER GENERAL ASSISTANCE, BY STATE

1. The following states were deleted from the tabulations because they did not have a General Assistance program in FY1984: Alaska, Arkansas, Colorado, Idaho, Mississippi, North Carolina, Oklahoma, Tennessee, Vermont, and West Virginia. It should be noted, however, that the majority of these states did offer some form of short-term Emergency Assistance.

2. Incomplete or no response was received from Alabama, Indiana and South Carolina. These states, therefore, do not appear in the tabulations.

3. Persons assumed to equal recipients.

4. The following assumptions were used to assign data to missing cells, by state:

State	Assumptions
New Jersey	Actual shelter percents and dollars based on the national averages of actual shelter percents for all states with complete data on each of these items, weighted by number of recipients per state.
New York	Number of cases based on national ratio of recipients to cases among those states with complete data on each of these items.
Rhode Island	Actual shelter percents and dollars based on national averages for all states with complete data on each of these items, weighted by number of recipients per state.
Iowa	Actual shelter dollars and percent represent Polk County.
Nebraska	Number of recipients based on national ratio of cases to recipients among those states with complete data on each of these items.
North Dakota	Actual GA and shelter payments represent Burleigh County.
South Dakota	Aggregate shelter percent assigned to actual shelter percent.
Wisconsin	Actual GA and shelter dollars represent Milwaukee.
Florida	Actual GA and shelter dollars represent Miami.

Georgia	Based on Fulton County.
Kentucky	Number of recipients based on national ratio of cases to recipients among those states with complete data on each of these items.
Louisiana	a. Actual shelter percents based on the national averages for all states with complete data on each of these items, weighted by number of recipients per state. b. All other entries in table based on telephone interview (no state documentation available).
Maryland	a. Actual shelter dollars derived from telephone interviews. b. Estimates represent the combination of two GA programs in the state: one for "unemployables" and the other for "employables."
Missouri	a. Actual shelter percent assumed to equal aggregate shelter percent. b. Number of recipients based on state official's view that only about 100 cases included two persons.
Texas	a. Number of recipients derived from telephone interviews. b. Actual GA and shelter dollars based on Harris County (Houston).
Montana	a. State documents show average number of cases equals average number of recipients. b. Actual shelter dollars represent an average for counties in the state, as reported in telephone interviews.
Nevada	a. Number of recipients based on assumption that Washoe recipients represent 20 percent of the state's GA recipients. This number was then blown up to an estimate of the total number of recipients in the state. b. Actual GA and shelter dollars represent Clark County.
Oregon	Number of recipients based on national ratio of cases to recipients among those states with complete data on each of these items.

4. Data assignments were not made in cases where states were missing pairs of variables such as cases and recipients, or actual total and shelter GA payments.

5. Regional and national GA-shelter dollars include some states where this value was assigned based on various assumptions. See listing under note 3 for details.

6. Regional and national percents of GA actual dollars for shelter are weighted by the number of recipients in each state.

7. Regional estimates of actual GA and GA-shelter payments are weighted by the number of recipients in each state.

8. Shelter amounts include rent and utilities.

CHAPTER 3

THE IMPACT OF THE TWO-PRONGED SYSTEM

This chapter examines the impact of the two-pronged system for subsidizing housing on the housing situation of program recipients. Several key questions are addressed:

- o What is the magnitude and nature of the overlap between housing assistance and income assistance programs?
- o What kinds of households receive various combinations of income and housing aid?
- o How do housing conditions vary according to types of subsidies received? And finally,
- o How is the housing situation of the welfare population related to the size of their shelter allowance?

Answers to these questions will enable us to assess the current system in terms of its equity, its efficiency, and its overall effectiveness in serving the housing needs of the nation's poor.

3.1 Data Sources

The analysis presented below relies on two different data sets. The first, and most important, is the national file of the 1983 American Housing Survey (AHS). This survey was administered to over 90,000 households across the country, and provides detailed information on the characteristics of both the household and its dwelling unit. We have used this file to address the first three questions posed above.

We also relied on data obtained from the metropolitan files of the 1982 and 1983 AHS, which provide information on housing conditions and costs in 25 different SMSAs. These files are similar in content to the national AHS, but focus on particular sites. Since the sample size in a given SMSA is relatively large (about 3,500 observations), this second data set enabled us to relate the housing conditions of the welfare population to the specific shelter allowance that they receive (based on the state survey data described in Chapter 2).

Both AHS data sets identify households with income from "welfare payments or other public assistance," including AFDC, SSI, general assistance, and a host of other smaller welfare programs (e.g. refugee aid, emergency assistance). They also identify households in public housing projects or in units which have reduced rents "because the federal, state, or local government is paying part of the cost." While owner-occupants with subsidized mortgages are not identified, the size of such programs (e.g., Section 235) is relatively small. As a result, the data provide reasonably good estimates of the overlap between income assistance and housing aid.

3.2 The Overlap Between Housing and Income Assistance

Exhibit 3.1 presents estimates of the number of households receiving income and housing assistance in 1983. Three types of households are identified: those receiving income assistance, but not housing assistance; those receiving housing assistance, but not income assistance; and those receiving both income and housing assistance. The proportion of renters within each group is also given. Since the AHS data do not identify owners with subsidized mortgages, only renters appear in the "housing assistance" category.

In 1983, almost 8 million households (or 9 percent of all U.S. households) were receiving some form of housing or income assistance.

EXHIBIT 3.1

BREAKDOWN OF HOUSEHOLDS BY TYPE OF ASSISTANCE: 1983[1]

	Number of Households (1000s)	Percent Renters[2]
TOTAL RECEIVING INCOME ASSISTANCE	5,864	70%
TOTAL RECEIVING HOUSING ASSISTANCE	3,392	100%
TYPE OF ASSISTANCE:		
Income Assistance Only	4,568	61%
Housing Assistance Only	2,096	100%
Both Income and Housing Assistance	1,296	100%
Total Receiving Income And/Or Housing Assistance	7,960	

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1. Estimates obtained from the 1983 American Housing Survey.
2. Includes households who neither own nor rent.
3. Total unweighted number of cases = 5,307.

About 4.6 million households were receiving income assistance alone; about 2.1 million were receiving housing subsidies, but not income assistance; and about 1.3 million were receiving both types of aid.

While there is a significant overlap in the population that participates in housing and income assistance programs, the majority of participants receive only one form of subsidy. About 22 percent of the welfare population also receives a direct housing subsidy. While this fraction varies somewhat by type of income assistance received, the differences are fairly small.[1] The overlap between housing and income assistance is somewhat higher among renters. About 32 percent of all renters on welfare live in publicly subsidized housing. Another way to view the overlap between housing and income assistance programs is to consider the extent to which housing programs are targeted to those on welfare. About 38 percent of all households currently receiving a housing subsidy are also receiving income assistance. Thus, HUD and HHS recipients overlap but are not identical.

3.2.1 Geographic Distribution

Exhibit 3.2 presents information on the geographic distribution of households by the type of subsidies they receive. The Northeast and the South have the highest concentration of households receiving housing subsidies. The South also has the highest share of households with income assistance. However, regional variations in the distribution of households with income assistance are relatively small, and tend to

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[1] Twenty-six percent for AFDC, 24 percent for SSI, and 19 percent for General Assistance.

EXHIBIT 3.2

DISTRIBUTION OF ASSISTED HOUSEHOLDS BY LOCATION: 1983

	Total Receiving Income Assistance	Total Receiving Housing Assistance	---- TYPE OF ASSISTANCE ----		
			Income Assistance Only	Housing Assistance Only	Income & Housing Assistanc
Northeast	23.5%	30.0%	22.4%	31.7%	27.3%
North Central	25.7%	22.7%	26.3%	22.2%	23.6%
South	29.9%	30.0%	30.5%	31.3%	27.8%
West	20.9%	17.3%	20.7%	14.9%	21.2%
	100.0%	100.0%	100.0%	100.0%	100.0%
Large SMSAs					
Central City	36.2%	43.8%	32.8%	41.2%	48.1%
Suburban Ring	18.2%	18.2%	19.2%	20.3%	14.8%
Small SMSAs	13.9%	15.1%	13.4%	14.8%	15.6%
Non-Metropolitan	31.7%	22.9%	34.6%	23.7%	21.5%
	100.0%	100.0%	100.0%	100.0%	100.0%
(Sample Size)	(3918)	(1966)	(3187)	(1235)	(731)

reflect differences in the distribution of the poverty population at large.

Housing subsidies tend to be more concentrated in larger urban areas when compared to income assistance. Forty-four percent of all households with housing assistance live in the central cities of larger SMSAs; the comparable figure for households on welfare is 36 percent. Similarly, only 23 percent of all households with housing assistance live in non-metropolitan areas, compared to 32 percent of those on welfare. This geographic tilt of housing subsidies towards urban areas is particularly evident among households receiving both income and housing assistance. Forty-eight percent of all such households live in the central cities of larger SMSAs.

An alternative way to view the geographic distribution by subsidy type is to consider the proportion of households with income assistance who also receive a housing subsidy. This proportion ranges from 15 percent in non-metropolitan areas to about 29 percent in the central cities of large SMSAs. Most of this difference reflects the fact that the proportion of the welfare population that rents is much higher in central cities (77 percent) than it is in non-metropolitan areas (42 percent). Among renters with income assistance, the proportion receiving a housing subsidy is about the same in the central cities of large SMSAs (38 percent) as it is in non-metropolitan areas (36 percent).

3.3 The Demographic Characteristics of Recipients

Exhibit 3.3 presents information on the characteristics of households by subsidy type, including age of head, race/ethnicity,

EXHIBIT 3.3

CHARACTERISTICS OF HOUSEHOLDS BY TYPE OF ASSISTANCE: 1983

	Total Receiving Income Assistance	Total Receiving Housing Assistance	---- TYPE OF ASSISTANCE ----		
			Income Assistance Only	Housing Assistance Only	Income & Housing Assistance
HOUSEHOLD SIZE					
One Person	22.9%	41.0%	19.6%	44.8%	34.8%
2	21.0%	21.5%	21.5%	23.0%	19.1%
3	19.3%	14.6%	19.5%	12.2%	18.5%
4	15.9%	12.1%	16.8%	11.6%	12.7%
5+	20.9%	10.9%	22.6%	8.4%	14.8%
AGE OF HEAD					
< 20 years	1.5%	1.0%	1.5%	0.5%	1.7%
20-29 years	23.7%	19.7%	23.3%	16.3%	25.3%
30-49 years	32.9%	28.4%	33.6%	27.1%	30.6%
50-61 years	16.3%	12.6%	16.4%	10.6%	15.9%
62+ years	25.6%	38.3%	25.3%	45.6%	26.7%
	100.0%	100.0%	100.0%	100.0%	100.0%
RACE/ETHNICITY					
% White[1]	52.0%	51.7%	55.3%	58.7%	40.4%
% Black[1]	32.4%	34.6%	29.4%	29.4%	43.0%
% Hispanic	12.5%	10.5%	12.0%	8.3%	14.1%
% Other[1]	3.2%	3.2%	3.4%	3.6%	2.5%
	100.0%	100.0%	100.0%	100.0%	100.0%

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1. Excludes households who classify themselves as Hispanic.

EXHIBIT 3.3

CHARACTERISTICS OF HOUSEHOLDS BY TYPE OF ASSISTANCE: 1983
(Continued)

	Total Receiving Income Assistance	Total Receiving Housing Assistance	—— TYPE OF ASSISTANCE ——		
			Income Assistance Only	Housing Assistance Only	Income & Housing Assistanc
HOUSEHOLD INCOME					
< $5,000	45.5%	42.5%	40.2%	29.1%	64.2%
$5,000-$9,999	30.4%	33.8%	31.4%	37.9%	27.1%
$10,000-$14,999	9.8%	12.9%	11.0%	17.4%	5.7%
$15,000-$19,999	5.0%	5.5%	6.0%	8.0%	1.6%
$20,000+	9.3%	5.3%	11.5%	7.7%	1.4%
	100.0%	100.0%	100.0%	100.0%	100.0%
Mean Family Income	$8592	$7592	$9571	$9109	$5138
HOUSEHOLD TYPE					
Elderly (65+):					
Single-Person	12.0%	27.9%	9.9%	33.1%	19.4%
Other	10.0%	6.6%	11.7%	8.3%	3.9%
Non-Elderly:					
Single-Person	10.9%	13.1%	9.7%	11.7%	15.5%
Female-Headed Households With Children	32.1%	27.6%	29.0%	18.1%	43.0%
Male-Headed Households With Children	16.2%	12.8%	18.3%	15.3%	8.8%
Other	18.8%	12.0%	16.7%	13.6%	9.5%
	100.0%	100.0%	100.0%	100.0%	100.0%

income, and family type and size. In general, households receiving both income and housing assistance have significantly lower incomes, the highest concentration of minorities and the highest proportion of female-headed households with children. While such households tend to be larger than those with housing assistance alone, they are significantly smaller than the average "welfare only" household.

Many of the differences between "multiple" and "single" subsidy households are quite pronounced. For example, 64 percent of the households with combined subsidies have incomes that are less than $5000 per year, compared to 40 percent of households with income assistance alone, and 29 percent of households with only housing assistance. Similarly, average family income by subsidy type ranges from $5138 for households with income and housing assistance, to $9109 for households with only a housing subsidy, to $9571 for households with income assistance alone. Multiple subsidies are thus clearly targeted to the most needy segment of the population.

3.4 Housing Outcomes by Type of Assistance

Exhibit 3.4 presents information on housing costs and affordability for households receiving various combinations of income and housing assistance. HUD programs establish the maximum rent-to-income ratio (including a utility allowance) at roughly 30 percent. Some observers have argued that utility payments in excess of HUD's budgeted amounts will often lead to rent burdens that are above this theoretical maximum. Nevertheless, the ratio expected under housing

EXHIBIT 3.4

HOUSING COSTS AND AFFORDABILITY BY TYPE OF ASSISTANCE: 1983

	Total Receiving Income Assistance	Total Receiving Housing Assistance	— TYPE OF ASSISTANCE —		
			Income Assistance Only	Housing Assistance Only	Income & Housing Assistanc
AVERAGE MONTHLY HOUSING COSTS	$246	$185	$273	$200	$161
AVERAGE HOUSING COST-TO-INCOME RATIO	0.488	0.358	0.509	0.319	0.420
DISTRIBUTION OF RATIOS					
< 0.25	28.6%	42.5%	26.1%	46.2%	36.6%
.25-.30	8.8%	17.8%	7.0%	19.8%	14.6%
.31-.40	11.4%	13.3%	11.1%	13.9%	12.4%
.41-.50	9.6%	6.7%	10.3%	6.4%	7.4%
.50+	41.6%	19.6%	45.5%	13.7%	29.0%
	100.0%	100.0%	100.0%	100.0%	100.0%
PERCENT PAYING MORE THAN 30% OF INCOME FOR HOUSING	62.6%	39.6%	66.8%	34.0%	48.7%

programs should be close to 30 percent. In contrast, given the size of the welfare grant relative to the cost of housing, housing cost-to-income ratios among welfare households are likely to be very high.

These expectations are for the most part supported by the AHS data. The housing costs of households in assisted housing programs ($185/month) are about 32 percent below the average costs of those receiving income assistance alone ($273). As a result, housing cost-to-income ratios are relatively low among households that receive a housing subsidy (36 percent). In contrast, households on welfare alone spend an average of 51 percent of their incomes on housing. Sixty-seven percent of all such households spend more than 30 percent, and 46 percent spend over half. Affordability is thus a major problem for this segment of the population.

However, even with housing assistance, a significant number of households report rents that exceed the "30 percent" affordability standard implicit in federal housing programs. For example, 34 percent of households receiving only a housing subsidy spend more than 30 percent of their incomes on rent, and 14 percent spend more than half. More strikingly, some 49 percent of households with both housing and income assistance have housing cost burdens in excess of 30 percent, and 29 percent report ratios of 50 percent or more. Some of these cases may well reflect differences in affordability standards in state or local housing programs, as well as inaccuracies in the data (due, for example, to an under-reporting of household income). However, given the relative poverty of households with multiple subsidies, inadequate utility allowances may well explain some of these findings.

Exhibit 3.5 presents additional information on the extent of crowding and the physical condition of dwelling units occupied by the various groups. Units have been classified as "substandard" if they fail to meet housing quality standards similar to those used by HUD to define adequate housing.[1] It should be noted that this definition is only one of several in the literature and yields mid-range estimates of the incidence of substandard housing.[2] Similarly, units have been

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[1] These housing quality standards are as follows:

a) Unit lacks or shares complete plumbing facilities.

b) Unit lacks adequate provision for sewage disposal. The unit must be connected with a public sewer, septic tank, cesspool, or chemical toilet.

c) Unit lacks or shares complete kitchen facilities.

d) Has two or more structural problems:
  - Leaking roof.
  - Leaking basement.
  - Open cracks or holes in interior walls or ceiling.
  - Holes in the interior floors.
  - Peeling paint or broken plaster over one square foot on an interior wall.
  - Evidence of mice or rats in last 90 days.

e) Has two or more common area problems:
  - No working light fixtures in common hallway.
  - Loose, broken, or missing stairs.
  - Broken or missing stair railings.
  - No elevator in building (for units two or more floors from main building entrance in building four or more stories high).

f) Unit is heated mainly by unvented room heaters which burn gas, oil, or kerosene.

g) Unit has had three or more toilet breakdowns of six hours or more in the past 90 days.

h) Unit had three or more heating breakdowns lasting six hours or more last winter.

i) Lacks electricity.

j) One or more rooms without a working wall outlet.

k) Fuses blown or circuit breakers tripped three or more time during last 90 days.

l) Exposed wiring in house.

[2] See Appendix A for a discussion of alternative quality measures.

EXHIBIT 3.5

HOUSING CONDITIONS BY TYPE OF ASSISTANCE: 1983

	Total Receiving Income Assistance	Total Receiving Housing Assistance	—— TYPE OF ASSISTANCE ——		
			Income Assistance Only	Housing Assistance Only	Income & Housing Assistan
PERCENT SUBSTANDARD	24.8%	8.0%	28.5%	5.8%	11.7%
Fail Major (i.e. Structural Problems)	7.4%	0.8%	9.3%	0.7%	0.9%
Fail Minor (i.e. Maintenance Problems)	21.9%	7.4%	25.0%	5.1%	11.1%
Fail Both	4.6%	0.2%	5.9%	0.1%	0.3%
AVERAGE PERSONS PER ROOM	0.710	0.627	0.719	0.594	0.680
DISTRIBUTION BY PERSON PER ROOM					
< 1.0	87.9%	93.8%	86.7%	94.8%	92.3%
1.1 to 1.5	9.0%	5.3%	9.8%	4.6%	6.3%
1.6 to 2.0	2.3%	0.7%	2.6%	0.4%	1.2%
2.0+	0.8%	0.2%	0.9%	0.2%	0.1%
	100.0%	100.0%	100.0%	100.0%	100.0%

classified as "crowded" if they have more than one person per room. Although HUD occupancy standards often allow for a higher number of persons per room, this cut-off serves as a rough indicator of the extent of crowding among different household types.

Households in subsidized housing have a relatively low incidence of "substandard" dwellings, and most of the defects observed reflect building maintenance, as opposed to structural problems. Again, this finding is not surprising given that most of HUD's programs incorporate fairly stringent construction or maintenance standards that attempt to insure decent and sanitary housing conditions for program recipients. Although the AHS data do not enable one to distinguish between different program types, the relatively small proportion of households living in units with multiple maintenance deficiencies could well be in the older public housing stock.[1]

The incidence of substandard dwellings is considerably higher among the "welfare only" population, and "major" defects are much more prevalent. Nevertheless, the proportion of "welfare only" households in substandard units (29 percent) is less than half the proportion that pay more than 30 percent of their income on housing (67 percent). Thus, the problem of "affordability" appears to dominate the problem of housing quality regardless of the mix of subsidies received. Much the same conclusion can be drawn with respect to crowding, which appears to be more related to household size than the subsidy mix. While the incidence of crowding is again highest among the "welfare only" population, most of the crowded units have less than 1.5 persons per room.

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[1] Theoretically, the survey could be used for this purpose. However, households apparently have difficulty distinguishing between public housing _per se_ and other types of housing assistance (e.g., Section 8).

Exhibit 3.6 presents information on the incidence of multiple housing problems across the different household types. Three types of problems are considered: (1) affordability (i.e. the household pays more than 30 percent of its income on housing); (2) crowding (i.e. the dwelling has more than one person per room); and (3) physical condition (i.e., the dwelling is classified as "substandard"). As is evident from the chart, a relatively large proportion of assisted households have a housing problem, regardless of the type of assistance received. However, affordability is the only problem for at least half of those with a housing need. The incidence of multiple deficiencies is relatively low among those in assisted housing, but the incidence is fairly high among welfare households. About 78 percent of all "welfare only" households have some kind of housing need, and about 23 percent have at least two problems.

3.5 Residential Mobility

There has always been a particular interest in the residential mobility of welfare households. A sizable body of research, for example, is devoted to the role of inter-state differences in welfare generosity in the mobility decisions of welfare eligibles. A broader set of policy questions include whether there are large disparities in the mobility rates of the poor[1] and the non-poor, the circumstances that

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[1] Both assisted and unassisted.

EXHIBIT 3.6

DISTRIBUTION OF HOUSEHOLDS BY NUMBER AND TYPE OF DEFICIENCIES: 1983

	Total Receiving Income Assistance	Total Receiving Housing Assistance	—— TYPE OF ASSISTANCE ——		
			Income Assistance Only	Housing Assistance Only	Income & Housing Assistanc
ONE DEFICIENCY					
Overcrowded	3.6%	3.5%	3.8%	3.9%	2.8%
Substandard	8.6%	3.7%	10.0%	3.5%	3.9%
Unaffordable	40.5%	33.7%	41.2%	31.0%	38.1%
TWO DEFICIENCIES	18.2%	5.9%	20.4%	3.1%	10.6%
THREE DEFICIENCIES	2.4%	0.4%	2.9%	0.2%	0.7%
TOTAL PROPORTION OF HOUSEHOLDS WITH A HOUSING NEED	73.3%	47.2%	78.2%	41.6%	56.1%

prompt poor households to move, and the outcomes of these moves; that is, whether movers are better or worse off as a result. The 1983 AHS sheds some light on each of these topics.

The mobility rates of U.S. households and various subgroups of the poor and non-poor are shown in Exhibit 3.7. Poverty households have a mobility rate that is 50 percent greater than that of all households and 70 percent greater than households with at least lower-middle incomes (i.e., 150 percent of poverty or more). Thus, mobility rates fall as income rises. Within the assisted population (the majority of whom are poor), the disparity in mobility rates between types of assistance is much smaller. Not surprisingly, those receiving housing assistance only are less likely to move compared to those receiving income assistance. In addition, most of the moves by housing assistance households appear to represent the initial move out of the unassisted stock into assisted units. A much smaller fraction represent shifts within the assisted stock.

What is surprising is that those receiving both welfare and housing assistance have the highest rates of mobility: 27.6 percent. The higher overall mobility rate of this group includes a somewhat higher rate of relocation within the assisted stock than other housing assistance recipients. The higher total rate is probably related to the fact that these households are also the poorest of the three groups and much more likely to be headed by a female. Relative to other demographic groups such as the elderly, these households experience a greater frequency of life events and disruptions (e.g., changes in

EXHIBIT 3.7

RESIDENTIAL MOBILITY RATES BY POVERTY STATUS, TYPE OF ASSISTANCE AND TYPE OF WELFARE

		Percent of Households Who Moved
I.	**U.S. Household Mobility Rate**	17.5%
II.	**Mobility Rate, by Poverty Status**	
	At or Below Poverty	26.4%
	Up to 150% of Poverty	17.8%
	More than 150% of Poverty	15.5%
III.	**Mobility Rate, by Type of Assistance**	
	Unassisted	16.6%
	Income Only	26.9%
	Housing Only	23.2%
	Income and Housing	27.6%
IV.	**Mobility Rate, by Type of Welfare**	
	AFDC only	39.2%
	SSI only	10.3%
	GA only	31.9%

family size and economic instability) which are known to be related to moving.

In fact, the low mobility rates of the elderly are demonstrated by the data for households receiving different types of income assistance; SSI recipients, most of whom are elderly, have a very low incidence of mobility. AFDC recipients, in contrast, have a very high rate, with nearly four in ten having moved in the last year. The rate for GA recipients, 31.9 percent, is also quite high; it is 80 percent greater than that for all U.S. households, for example.

The higher probability of a welfare household being evicted is one explanation that has often been given to account for these high rates of mobility. Reasons for eviction, however, run the gamut from problems with tenants (e.g., non-payment of rent, disruptive behavior) to problems with landlords (e.g., discrimination). While the AHS interview cannot be expected to elicit valid information at this level of detail and sensitivity, the data do suggest a substantial disparity in the incidence of the more general category of "displacement" moves among welfare versus housing assistance recipients. Roughly 6 percent of households receiving income assistance only moved because they were displaced by private action.[1] This rate compares with roughly 3.1 percent for those receiving housing assistance.

Other evidence suggests that income assistance households may be particularly at risk for displacement. An analysis of urban movers during the 1970s estimated that more than one-third of all displaced households were recipients of public assistance — a rate that is significantly higher than among those who are not displaced (7).

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[1] In addition to eviction due to tenant problems, this category includes moves caused by increased in rents, condominium conversion and building rehabilitation.

As is the case for other segments of the population, the main reasons why welfare recipients move relate to consumption decisions (e.g., change in family size or composition), housing or neighborhood concerns (e.g., crime, desire for better housing) or employment (e.g., looking for work), in descending order of importance. But the data on displacement moves suggests that welfare households are simply at a greater overall risk of having to move involuntarily.

The AHS data also do not directly address the specific question of interstate differences in welfare payments as precipitants of mobility. The more general and indirect evidence that can be gleaned from the single item on the location of the previous residence, however, suggests that such motivations are unlikely to play a major role in accounting for the high incidence of moving among welfare households. More than 90 percent of all welfare households who moved remained in the same state. As described in Chapter 2, the majority of both AFDC and SSI programs have uniform payments within states.

The final set of policy questions focus on the effects of moving on welfare households and, in particular, on housing outcomes. A comparison of the attributes of pre- and post-move residences of welfare households indicate that, in terms of dwelling quality, these households appear to be better off after they move. This finding is wholly consistent with the data reported earlier indicating that consumption and housing-related reasons represent the main motivations for changing residence. Their rate of crowding declined by 47 percent, from 23 percent before moving to 15.6 percent after the move.[1] In addition, they experienced some decline in the rate of structural deficiencies in their dwellings: the fraction sharing or lacking complete plumbing, for example, declined by about one-fourth (from 7 percent to 5.6 percent).

These improvements in quality, however, appear to be gained at some expense. Among renters, for example, the fraction with gross rents of $150 per month or less declines by nearly half (from 15.4 percent to 8.4 percent).[2] The resultant shift in the rent distribution, however, is toward the middle of the range (i.e., rents of roughly $250-$300); the proportion of movers paying rents of $300 or more pre- and post-move remains essentially the same (roughly 38 percent).

3.6 Variations by Region

Chapter 2 described the geographic inequities that arise under AFDC, General Assistance, and to some extent, SSI. In particular, it documented the extremely low payment standards in the South relative to the estimated cost of standard housing. This regional variation in income assistance contrasts with the major housing assistance programs, which attempt to gear payment standards and subsidy levels to variations in market conditions and local costs. Given this basic difference in program design, one might expect the housing situations of "welfare only" households to exhibit a greater degree of regional variation than

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1. Defined as more than one person per room.
2. The comparison of monthly gross rents is limited to renters because the AHS does not contain monthly housing cost data on the previous residence if it was owned.

the housing situation of households enrolled in traditional housing programs.

This expectation is at least partially confirmed by the data presented in Exhibit 3.8. Despite the extremely low payment standards in the South, the proportion of "welfare only" households paying more than 30 percent of their income for housing in this region is about 10 percent lower than the proportion observed in the Northeast and North Central states, and about equal to the proportion observed in the West. However, the prevalence of substandard housing is dramatically higher in the South, with about half of all "welfare only" households living in physically inadequate housing. This rate is two to four times as high as the rates observed elsewhere in the country. Similarly, the prevalence of households with multiple housing needs is dramatically higher in the South. Although the prevalence of housing problems also varies for households enrolled in assisted housing programs, the variations are not as large as those observed under traditional income assistance programs.

Housing programs thus help to reduce the regional differences in the housing situations of program recipients. However, the regional patterns displayed by welfare households not enrolled in housing programs may reflect factors other than variations in payment standards. As is evident in Exhibit 3.9, households above the poverty line also have a higher incidence of substandard housing units in the Southern states, as well as a higher incidence of multiple housing needs. Variations in the overall condition of the housing stock may

EXHIBIT 3.8

HOUSING NEEDS BY TYPE OF ASSISTANCE AND GEOGRAPHIC REGION: 1983

	Income Assistance Only		Housing Assistance Only	Income and Housing Assistance
	Owners	Renters		
Percent Paying More than 30 Percent Of Income On Housing				
Northeast	53.6%	84.1%	30.6%	59.7%
North Central	55.9	84.4	37.4	53.4
South	40.4	72.4	35.4	43.1
West	42.3	77.7	33.3	36.9
Percent Paying Over 50%				
Northeast	34.4	61.4	13.2	37.3
North Central	36.6	63.2	14.7	31.3
South	23.6	45.8	15.4	25.1
West	20.1	53.4	9.9	20.8
Percent Substandard				
Northeast	16.6	32.3	6.1	17.6
North Central	15.0	18.7	5.9	8.3
South	42.3	51.2	7.2	14.4
West	9.9	15.9	1.8	4.3
Percent Crowded (Over One Person Per Room)				
Northeast	12.1	12.8	4.5	5.6
North Central	6.7	11.2	4.1	9.8
South	10.7	18.4	6.5	8.3
West	8.8	21.4	5.8	7.1
Percent With A Housing Need				
Northeast	58.1	90.9	38.2	63.7
North Central	60.1	88.3	42.3	61.7
South	69.3	90.8	45.5	54.9
West	49.4	87.0	39.7	41.9
Percent With Multiple Housing Needs				
Northeast	13.4	33.8	3.0	17.6
North Central	10.1	21.7	5.0	9.3
South	17.3	42.1	3.2	10.4
West	6.8	24.7	1.1	6.5

EXHIBIT 3.9

HOUSING CONDITIONS OF THE NON-POOR POPULATION[1]

	North East	North Central	South	West
Affordability				
Percent > 30%	25.6%	21.1%	22.7%	27.5%
Percent > 50%	10.8%	9.4%	10.9%	11.3%
Percent Substandard	6.3%	3.7%	10.0%	3.7%
Percent Crowded	1.8%	1.2%	2.1%	2.9%
Percent w/Need	32.3%	25.5%	33.1%	32.5%
Percent w/Multiple Problems	2.0%	0.9%	2.4%	1.8%

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[1] Includes households with incomes above the poverty line and excludes assisted households.

thus explain part of the regional variations observed in the housing conditions of those on welfare.

3.7 Variations by Tenure

Thus far we have treated the "welfare only" population as a homogeneous group. However, as we have seen, about 39 percent of all such households own their homes, and may face significantly different housing circumstances than those who rent. Exhibit 3.10 presents information on both the income and housing situations of this subgroup of the population, stratified by the household's tenure. The figures in the chart reveal some striking differences between the two groups.

To begin with, renters in the "welfare only" population have significantly lower incomes than their counterparts who own their homes. About 47 percent of the renters report incomes of less than $5,000 per year, and only 10 percent report incomes of $15,000 or more. These income figures resemble those reported by households receiving both income and housing subsidies, and are considerably below the incomes of both owners on welfare and households that receive housing assistance alone. Thus, the targeting of multiple subsidies to the lowest income groups reflects the fact that housing programs are geared to renters. There are significant numbers of equally needy renters on welfare who are not now benefiting from housing assistance because such subsidies are not entitlements, but are distributed on a first come, first served basis.

Despite their lower incomes, the housing costs of renters are about the same as the housing costs of those who own their homes. As a result, some 80 percent of renters receiving welfare but not housing

EXHIBIT 3.10

SELECTED DEMOGRAPHIC AND HOUSING CHARACTERISTICS BY TENURE: HOUSEHOLDS WITH INCOME ASSISTANCE BUT NO HOUSING SUBSIDIES

	Renters	Owners
HOUSEHOLD INCOME		
< $5,000	46.9%	29.0%
$5,000-$9,999	33.1%	28.5%
$10,000-$14,999	9.9%	13.0%
$15,000-$19,999	4.6%	8.1%
$20,000+	5.4%	21.5%
	100.0%	100.0%
MONTHLY HOUSING COSTS		
< $100	3.7%	19.9%
$100-$200	23.5%	25.5%
$201-$300	34.4%	20.2%
$301+	38.4%	34.5%
	100.0%	100.0%
Mean Costs	$280	$275
HOUSING COST-TO-INCOME RATIO		
< 0.25	13.3%	45.0%
.25-.30	6.5%	8.5%
.31-.40	11.5%	11.0%
.41-.50	11.9%	7.8%
.50+	56.7%	27.8%
	100.0%	100.0%
Mean Ratio	0.585	0.400

EXHIBIT 3.10

SELECTED DEMOGRAPHIC AND HOUSING CHARACTERISTICS BY TENURE: HOUSEHOLDS WITH INCOME ASSISTANCE BUT NO HOUSING SUBSIDIES

(Continued)

	Renters	Owners
PERSONS PER ROOM		
< 1.0	84.5%	90.5%
1.1-1.5	11.4%	7.4%
1.6-2.0	3.1%	1.6%
2.0+	1.0%	0.5%
	100.0%	100.0%
PERCENT SUBSTANDARD	29.0%	25.8%
Fail Major (i.e. Structural Problem)	8.6%	8.8%
Fail Minor (i.e. Maintenance Problem)	25.0%	23.1%
Fail Both	4.7%	6.2%
NUMBER OF DEFICIENCIES		
None	10.7%	38.3%
One Problem		
Quality Only	5.7%	14.5%
Affordability Only	50.3%	29.5%
Crowding Only	3.1%	4.9%
Two Problems	26.1%	11.9%
Three Problems	4.1%	1.1%
	100.0%	100.0%

assistance pay more than 30 percent of their income for rent, and 57 percent pay over half. The affordability problem within this group is thus widespread and severe. In contrast, about 47 percent of owners pay more than 30 percent, and 28 percent pay more than half. These ratios are close to those observed among households receiving both income and housing assistance, but considerably above those experienced by non-welfare households with housing assistance.

The incidence of crowding and substandard housing are relatively similar between owners and renters. About the same proportion of units have been classified as "substandard," and the incidence of major and minor differences is about the same. A somewhat higher fraction of renters have more than one person per room, but the differences are relatively small (15 versus 9 percent). Thus, while the prevalence of multiple housing problems is considerably higher among households who rent (30 versus 13 percent), this is caused by the fact that eight out of every 10 renters have a housing cost burden that exceeds 30 percent.

3.8 Variations by Program

The welfare population also differs according to the type of income assistance received. Exhibit 3.11 presents information on the housing conditions of AFDC, SSI, and GA households not enrolled in housing programs. In general, AFDC families pay the highest proportion of their income for housing, while SSI recipients pay the lowest. However, all three groups devote a disproportionate share of their incomes to housing. For example, the proportion of households spending

EXHIBIT 3.11

HOUSING CONDITIONS OF THE WELFARE POPULATION BY PROGRAM[1]

	AFDC	SSI	General Assistance
Affordability			
Percent Paying More Than 30% of Income for Housing	83%	53%	70%
Percent Paying More Than 50% of Income for Housing	61%	28%	51%
Percent Substandard	25%	36%	27%
Fail Major	6%	16%	8%
Fail Minor	23%	31%	23%
Fail Both	4%	11%	5%
Percent Crowded	21%	5%	12%
Total Proportion of Households with a Housing Need	91%	71%	79%
Total Proportion With Multiple Needs	30%	17%	24%
Sample size:	(769)	(954)	(933)

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[1] Excludes households in subsidized housing.

more than half of their income on housing ranges from 28 percent under SSI, to 51 percent under General Assistance, to 61 percent under AFDC. The incidence of overcrowding is also highest among AFDC households. Some 21 percent of all such families live in units with more than one person per room, compared to 12 percent for GA recipients and five percent for households with SSI.

On the other hand, housing quality appears to be more of a problem for the SSI population. Some 36 percent of all such households live in housing that is classified as substandard, and 16 percent live in units with major structural defects. In contrast, about 25 percent of all AFDC and GA households live in physically inadequate units, and 6 to 8 percent live in units requiring major structural repairs. The higher incidence of substandard housing among SSI recipients in part reflects their greater tendency to live in the South. However, even within the South, the incidence of substandard housing is significantly higher for SSI households than it is for those with General Assistance or AFDC.

Exhibit 3.12 compares the actual housing expenditures of SSI and AFDC recipients to SSI and AFDC shelter allowances, as well as to the minimum HUD FMRs for efficiency apartments and two bedroom units.[1] As is evident from the chart, SSI recipients appear to be spending close to the shelter allowances that have been budgeted under that program,

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[1] To facilitate comparisons with shelter allowances and FMRs (which are geared to family size and bedroom count) we have restricted the data on SSI and AFDC to single-person and four-person households, respectively. Note that the national AHS data tape does not identify the state in which households reside. As a result, the average FMRs and shelter allowances appearing in the chart are regional averages derived from the survey data presented in Chapter 2.

EXHIBIT 3.12

COMPARISON OF ACTUAL EXPENDITURES AND FMRS WELFARE ONLY, 1983

Receiving SSI Only, Living Alone	Average Housing Costs[1]	FMR	Shelter Allowance
Northeast	$186	$208	$144
North Central	159	183	121
South	127	179	109
West	180	236	157
Receiving AFDC Only, Household of Four			
Northeast	$319	$286	$178
North Central	303	268	141
South	279	276	77
West	324	326	208
Receiving GA Only, Living Alone			
Northeast	$204	$208	$149
North Central	202	183	112
South	122	179	76
West	201	236	145

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[1] "Gross" costs which include utilities for renters and non-mortgage payments for owners.

but considerably less (i.e., 25 to 50 percent) than the expenditure levels allowed under HUD FMRs. In contrast, AFDC families are spending considerably more than the shelter allowances budgeted under AFDC, and about 10 to 20 percent less than the applicable FMRs. But despite the fact that AFDC recipients are devoting a relatively high proportion of their incomes to housing, the quality of their units is not dramatically better than the quality of units occupied by SSI recipients and a sizable fraction live in crowded conditions. Since the prototypical AFDC recipient is a female household head with children while for SSI it is a single elderly person, this pattern may well reflect a relative scarcity of standard units with two or more bedrooms.

When one looks at the overall incidence of housing problems among the welfare population, AFDC families clearly end up in last place. Some 91 percent of all such households have at least one housing problem, and 30 percent have more than one. While SSI recipients do relatively better, 71 percent of all such households have at least one housing problem and 17 percent have two or more. The incidence of housing problems among GA recipients lies between these two extremes.

The relatively poor performance of AFDC and GA households may again reflect differences in the underlying payment standards provided by these programs. As described in Chapter 2, shelter allowances under SSI are closer to the FMR than shelter allowances under AFDC or General Assistance. On the other hand, the observed differentials may simply reflect fundamental differences in the supply of housing available to these groups. Nationally, the percent of households with a housing need is considerably higher for female-headed households (44 percent) than it is for the elderly (28 percent). Even if one excludes very low income households, female headed households have an incidence of housing needs that is almost twice as high as the elderly population (21 versus 11 percent).

3.9 Relationship of Housing Conditions to Shelter Allowances

To look more directly at the impact of shelter allowances per se, we examined the housing situation of the "welfare only" population in the 25 SMSAs which were included in the metropolitan files of the 1982 and 1983 Annual Housing Surveys. As shown in Exhibit 3.13, the samples vary in terms of size, geographic region, and overall incidence of housing needs. The shelter allowances available for welfare recipients in these markets also reflect a mix of relatively generous and stringent standards.

We began by examining the simple relationship between the size of the shelter allowance implicit or explicit in the welfare payment and the housing problems of those on welfare. Since these metropolitan data do not identify the specific source of assistance payments (e.g., AFDC versus SSI), the welfare population had to be treated as a homogeneous group. The "shelter allowances" in the analysis presented here are thus weighted averages of the specific payment standards under AFDC, SSI,and General Assistance, where the weights reflect the relative importance of the different programs within each site.[1]

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[1] The weights were derived by examining the composition of household types within the "welfare only" population. In particular, we estimated the relative importance of AFDC, SSI, and GA within a given site by examining the relative number of: (1) female-headed households with children; (2) households with an elderly head; and (3) non-elderly, single males.

EXHIBIT 3.13

CHARACTERISTICS OF SAMPLE SITES

				ALL HOUSEHOLDS				WELFARE HOUSEHOLDS [1]			
	Number of Households (1000s)	Percent Receiving Income Assistance[1]	Shelter Payment: FMR[2]	Percent with Housing Problem	Percent Paying More Than 30%	Percent Crowded	Percent Sub-standard	Percent with Housing Problem	Percent Paying More Than 30%	Percent Crowded	Percent Substandard
Northeast											
Baltimore	760	5.2%	0.29	26.3%	21.2%	1.9%	5.1%	70.7%	57.7%	13.4%	23.1%
Hartford	236	3.5%	0.51	26.8%	22.4%	1.8%	4.1%	81.0%	76.7%	12.7%	20.8%
New York	3910	7.1%	0.60	46.5%	33.9%	5.2%	14.8%	89.2%	80.4%	15.4%	43.8%
Paterson	452	2.9%	0.30	28.1%	22.3%	2.5%	5.0%	83.1%	73.9%	18.5%	28.3%
Philadelphia	1638	7.5%	0.37	29.8%	23.7%	2.6%	6.3%	76.6%	67.8%	13.2%	22.8%
Rochester	310	5.4%	0.63	23.1%	18.9%	1.7%	4.3%	73.3%	66.1%	9.1%	26.1%
North Central											
Chicago	2437	6.8%	0.30	33.3%	27.4%	4.1%	5.0%	84.2%	77.5%	15.7%	21.7%
St. Louis	819	4.6%	0.49	24.1%	19.5%	2.8%	3.6%	84.9%	67.5%	26.3%	17.7%
Cincinnati	500	5.6%	0.32	26.0%	20.8%	2.9%	4.1%	78.7%	69.6%	16.8%	17.2%
Columbus	346	5.3%	0.32	25.5%	21.3%	1.8%	3.4%	73.4%	63.4%	10.9%	13.5%
Kansas City	482	3.8%	0.37	22.1%	17.9%	2.1%	3.8%	67.1%	56.5%	8.3%	17.5%
South											
Louisville	300	4.4%	0.34	24.8%	21.1%	2.0%	3.7%	71.6%	62.2%	12.2%	16.6%
Miami	601	7.1%	0.26	49.9%	37.8%	6.7%	8.2%	77.3%	70.3%	21.7%	10.8%
Atlanta	637	3.2%	0.31	29.5%	22.5%	2.2%	7.3%	78.0%	59.7%	16.1%	31.5%
New Orleans	426	5.5%	0.30	43.4%	24.4%	5.2%	23.6%	81.2%	61.9%	18.6%	52.9%
West											
Denver	639	2.6%	0.31	29.2%	25.7%	1.5%	2.4%	64.9%	57.4%	9.2%	1.8%
Honolulu	238	5.1%	0.47	40.7%	31.7%	8.2%	3.8%	88.2%	75.1%	29.7%	14.0%
Houston	1147	2.6%	0.29	40.7%	22.8%	5.4%	18.8%	76.1%	55.1%	25.7%	54.1%
Portland	485	3.5%	0.39	28.9%	22.4%	1.6%	4.3%	74.0%	63.2%	10.6%	11.7%
Sacramento	405	8.0%	0.52	31.1%	26.5%	2.9%	2.5%	70.6%	63.3%	12.9%	8.7%
Seattle	639	3.8%	0.54	25.8%	20.6%	1.6%	2.9%	66.3%	59.6%	10.6%	4.5%
San Antonio	344	4.2%	0.29	44.4%	21.7%	6.3%	24.9%	86.3%	48.6%	19.2%	67.9%
San Bernadino	570	8.7%	0.45	30.7%	25.0%	4.7%	3.3%	68.0%	56.0%	15.3%	8.3%
San Diego	685	7.0%	0.40	35.5%	30.4%	3.6%	3.2%	73.9%	63.0%	12.3%	11.3%
San Francisco	1285	5.2%	0.42	33.6%	27.8%	3.5%	5.1%	72.1%	61.6%	13.9%	17.1%

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1. Excluding those with housing assistance.
2. Weighted average of the shelter payment to FMR ratio for AFDC, SSI, and General Assistance.

Exhibit 3.14 plots the overall proportion of welfare households with at least one housing problem against the ratio of the shelter allowance to the local FMR.[1] There is no simple relationship between the housing conditions of welfare recipients and the overall generosity of the area's welfare system in relationship to the cost of standard housing. For example, New York City has the highest overall incidence of housing needs despite its relatively generous payment standard. At the other extreme, households in Denver fare relatively well, despite the fact that payments are relatively low. The same conclusion emerges if one considers specific types of housing problems. As shown in Exhibit 3.15, none of the different measures of housing needs is significantly correlated with the generosity of the local shelter allowance.

Of course, other factors such as the cost and quality of the housing stock can be expected to exercise a strong influence on the housing situation of welfare recipients in any given market. While such influences are difficult to model — and, indeed, require a richer body of data than that available for the current research — we attempted to control for such effects by estimating some simple regression equations. In each equation, the dependent variable was the proportion of the welfare population that had a specific type of housing problem. The independent variables were: (1) the ratio of the shelter allowance

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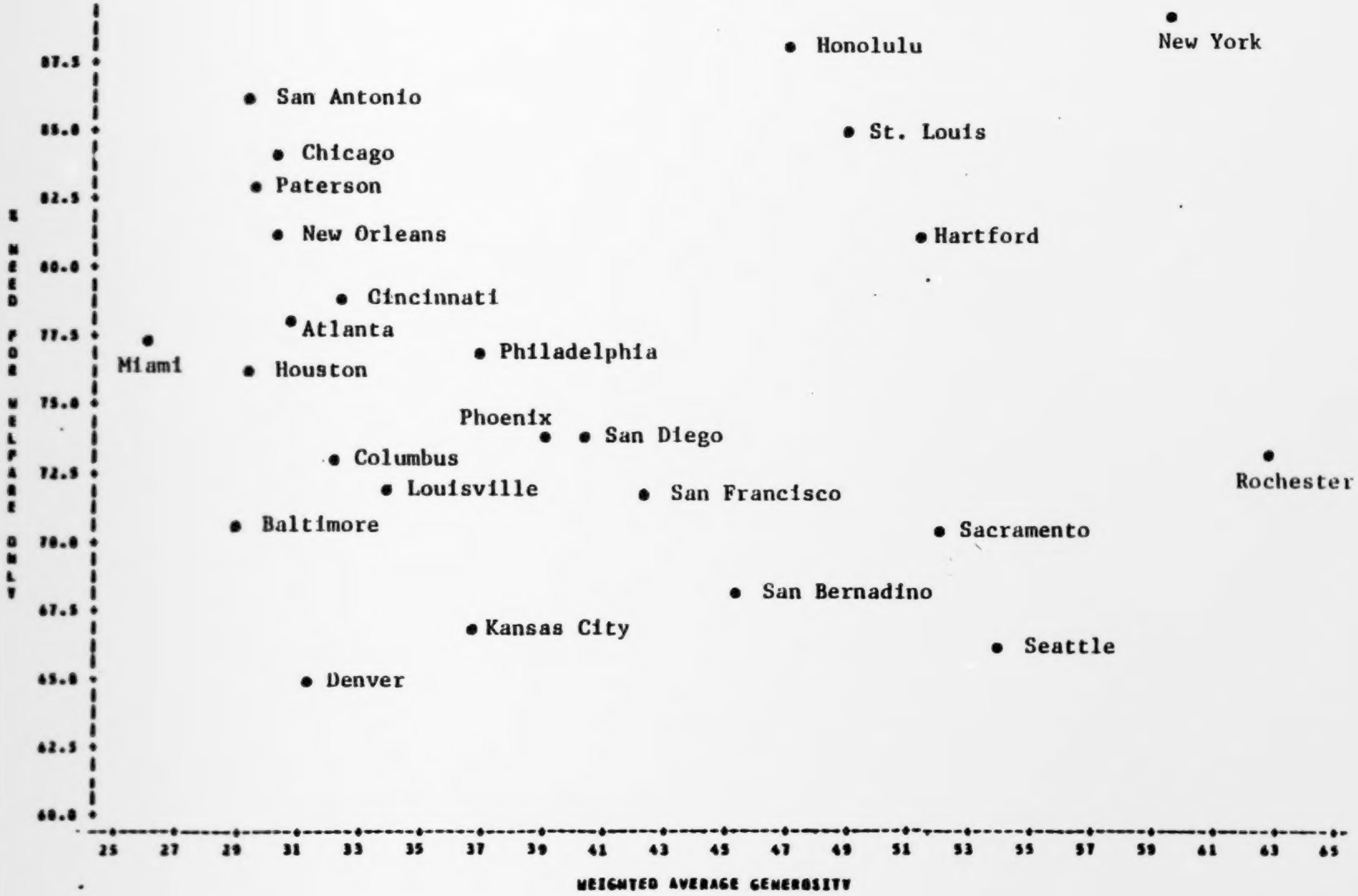
[1] This "combined" ratio is a weighted average of the following ratios: (1) the ratio of the AFDC shelter allowance for a family of four to the two-bedroom FMR; (2) the ratio of the SSI shelter allowance for an individual living alone to the zero bedroom FMR; and (3) the ratio of the GA shelter allowance for an individual living alone to the zero bedroom FMR.

EXHIBIT 3.14

GENEROSITY OF SHELTER PAYMENT VERSUS PROPORTION OF HOUSEHOLDS WITH NEED



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1. Excludes households receiving housing assistance.

EXHIBIT 3.15

CORRELATION BETWEEN MEASURES OF NEED AND THE GENEROSITY OF THE SHELTER ALLOWANCE[1,2]

Percent of Welfare Households with a Housing Problem	0.022
Percent of Welfare Households Paying More than 30 Percent	0.314
Percent of Welfare Households that are Over-Crowded	-0.160
Percent of Welfare Households in Substandard Housing	-0.207

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[1] Shelter allowance expressed as fractions of the local FMRs.

[2] Sample restricted to households receiving income but not housing assistance.

to the local FMR; and (2) the proportion of the unassisted non-poverty population with the same type of housing problem. The latter variable was included to proxy variations in the overall cost and quality of the housing stock.

The results of this analysis are summarized in Exhibit 3.16, where each column represents a different regression equation. The proportion of the welfare population in crowded or physically substandard housing was significantly related to the proportion of the non-poverty population experiencing that problem (see Columns 2 and 3); however, variations in the size of the shelter allowance did not appear to affect the overall incidence of such problems. Neither variable was significant in the "affordability" equation (Column 1), which may stem from the fact that even in the most generous site considered, the size of the budgeted shelter allowance was only about 60 percent of the cost of standard housing.

The housing problems of the welfare population undoubtedly reflect the limited resources of this group. Nevertheless, our analysis suggests that simply increasing the size of the shelter allowances under AFDC, SSI, and General Assistance will not automatically foster housing goals. While our tests are admittedly crude, our findings are consistent with the results of more elaborate analyses conducted under the auspices of the Experimental Housing Allowance Program. Such studies found that poor households faced with a moderate increase in their disposable income will not typically choose to upgrade their housing units. Since the poor are already devoting a disproportionate share of their incomes to housing, they will tend to use their

EXHIBIT 3.16

REGRESSIONS RELATING THE HOUSING CONDITIONS OF THE WELFARE POPULATION TO THE GENEROSITY OF THE SHELTER PAYMENT[1]

	DEPENDENT VARIABLES			
	Regression No. 1	Regression No. 2	Regression No. 3	Regression No. 4
	Percent of the Welfare Population Paying More than 30 Percent	Percent of the Welfare Population Crowded	Percent of the Welfare Population in Sub-standard Units	Percent of the Welfare Population with a Housing Need
INDEPENDENT VARIABLES				
A. Housing Conditions of the Population with Incomes Above the Poverty Line				
1. Percent paying more than 30 percent	0.435 (0.314)	—	—	—
2. Percent crowded	—	3.048*** (0.597)	—	
3. Percent in substandard housing	—	—	2.887*** (0.296)	—
4. Total percent with a housing need	—	—	—	0.391** (0.174)
B. Ratio of Shelter Allowance to FMR	0.225 (0.144)	−0.055 (0.075)	0.094 (0.144)	0.061 (0.127)
C. Constant	48.48*** (7.70)	11.32*** (3.37)	3.827 (6.48)	64.7*** (7.12)
R^2	.17	.55	.82	.19

[1] Excludes households receiving housing assistance.

*** Significant at 0.01
** Significant at 0.05
* Significant at 0.10

additional income to reduce this effective burden, as opposed to moving to better, but presumably more expensive living arrangements.

Thus, at least within the range of payment levels represented by our sample, the lack of relationship between the incidence of housing needs and the size of the shelter allowance is not too surprising. While higher allowances will obviously help to address the issue of affordability, which affects the largest proportion of the poor, they may have little effect on the incidence of overcrowding and substandard dwellings among households on welfare. If one wishes to improve the housing situation of the nation's poor, simply increasing the shelter allowance is not the answer.

CHAPTER 4

DIRECTIONS FOR FUTURE POLICY

For the past several decades, the poor in America have unwittingly been subjects in a major housing experiment. Some have received housing assistance through the welfare system and others through housing programs. The welfare approach amounts to implicit or explicit shelter allowances embedded in the welfare payment, while the housing approach is a combination of earmarked shelter grants, housing quality standards and inspections and, until recently, construction subsidies.

There are clear winners and losers in this experiment. As a first approximation, it is fair to say that housing assistance recipients are guaranteed decent and affordable dwellings. In contrast, welfare households typically spend more than half of their incomes on housing and many live in substandard units. Furthermore, welfare recipients living in metropolitan areas with generous shelter allowances often fare no better than the average. This latter pattern is wholly consistent with the findings of other research. Both the income maintenance and housing allowance experiments found that unrestricted cash grants had only a minimal effect on improvements in housing conditions (8).

4.1 The Need for A Categorical Approach

These findings suggest that a categorical approach towards housing assistance is more effective at achieving housing goals than is unrestricted income support.[1] While increasing welfare grants may well be warranted on other grounds, simply increasing the shelter allowance in the absence of any other housing-related actions will not have a significant impact on the housing conditions of the poor. An unrestricted approach to shelter assistance may also be inefficient, since a sizable proportion of taxpayer dollars will inevitably flow to substandard units.

Aside from effectiveness and efficiency, a number of other arguments point in the direction of categorical assistance. As Paul Starr has argued in connection with Medicaid, one of the reasons that society provides such aid in the first place is that it is bothered by the inadequate health care that the poor receive (9). This philosophical argument still makes sense when the word "housing" replaces "health care." Realistically, the concern with the housing conditions of the poor is likely to be motivated by both altruism and self-interest. Not only does it reflect the desire that needy persons live in decent, safe and sanitary dwellings, but also that neighborhoods not suffer the adverse consequences of housing deterioration, including the decline in property values and aesthetic blight.

4.2 Directions for a Restructured Shelter Subsidy

4.2.1 Improving Equity

While the exact forms that categorical housing assistance should take will require additional work, we can identify some general directions for a restructured approach. First, the new structure must be more equitable than the one it replaces. Neither the welfare system nor the housing system rank high on equity grounds. Under welfare, there is enormous variation in the housing subsidies received by households both within and between programs. As a general rule, under housing programs, households are assisted on a "first come-first served" basis.[1] Although housing subsidies are targeted to low-income households, there are 2.9 million renters on welfare who do not receive housing program assistance but who have incomes that are just as low as those participating in housing programs. There are also inequities associated with multiple subsidies: roughly 1.3 million households receive both welfare and housing subsidies.

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[1] We use the term "categorical" here to refer to subsidies tied to a particular type of consumption (e.g., housing), as opposed to eligibility based on demographic characteristics.

Even in the absence of more radical restructuring, the inequities in the current system should be addressed. The regional disparities in welfare payments must be reduced, if not eliminated, and benefit standards in the less generous areas raised to a level that insures a minimal standard of living for program recipients regardless of location. This general theme has been echoed in recent proposals addressing the disparities in AFDC payment levels. Focusing on the housing component of welfare assistance only strengthens the call for reform. But reducing the regional disparities in payment standards will not be enough to insure the equity of the current system. The double subsidies that arise under the two-pronged system should also be eliminated. Providing HUD subsidies to only a subset of the eligible population creates an additional layer of inequities that cannot be justified.

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[1] Some housing programs give priority to particular groups (e.g., those displaced by private action).

While the appropriate level of this new, standardized assistance is subject to debate, shelter allowances under the major welfare programs would have to be raised by an average of between 50 and 100 percent to meet the standards employed by HUD. Our data suggest that this increase would cost about $10 billion dollars a year.[1] While these estimates are extremely crude, if HUD continued to serve a significant number of recipients who were not on welfare, this modification would appear to require an increase in total expenditures on housing assistance (including indirect subsidies available through welfare) of roughly 50 percent.

4.2.2 Improving Efficiency

Changes in funding and administration would also increase efficiency. The two streams of assistance dollars that currently support housing for the poor should be merged, the channeling of these funds to housing expenditures should be made explicit by linking them to specific housing programs, and the fragmented administration of these dollars should be rationalized. We are not qualified to judge whether it is better to locate the administration of these funds in the welfare system or the housing system. On its face, however, HUD and its network of local housing authorities (PHAs) seem to be the more attractive choice.

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[1] In 1983, 78 percent of the welfare population, or about 4.6 million households, did not participate in housing programs. A housing voucher currently costs about $3800 per year, which means that the gross cost of serving this group would be roughly $17.4 billion a year. However, since the welfare system already spends about $10 billion a year on shelter allowances, the net cost would be lower. If 78 percent of these indirect subsidies are going to the "welfare only" population, the costs of raising their shelter allowances to the levels employed by HUD would drop to about $9.6 billion per year (i.e., $17.4 billion for the new vouchers less $7.8 billion of existing assistance).

Welfare caseworkers are notoriously overburdened and have little, if any, housing expertise. Welfare departments in a few communities have attempted to address the housing needs of their clientele by tying AFDC shelter allowances to local code enforcement efforts and the rehabilitation of substandard housing; AFDC emergency assistance has also been used in this way (10). However, to date, relatively little is known about the widespread replicability or administrative costs of such approaches.[1] In contrast, assigning the task to HUD and the PHAs would capitalize on an existing and well-tested infrastructure. The relative strengths of the welfare versus the housing system at coordination and fostering innovation at the local level — two vital elements to any restructuring theme — are less obvious.

4.2.3 Increasing Flexibility

A third important element of a redesigned shelter subsidy system is flexibility. HUD's almost exclusive reliance on demand subsidies in the form of vouchers may be insufficient to improve the housing conditions of the most needy. Households living in deficient housing may find it difficult to convince their landlords to make the necessary repairs, may find moving elsewhere to be too emotionally and financially costly, or may find it difficult to locate an acceptable unit in areas with a housing shortage. As a result, the program may have the perverse effect of excluding the very households and markets it is trying most to serve.

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[1] While the 1983 Housing Act mandated the so-called McKinney Demonstration to test these and other ways of using shelter allowances for housing goals, the funding was not appropriated.

Evidence from the housing allowance experiment largely supports this hypothesis. The extent of upgrading induced by the experiment was relatively modest and for the most part restricted to minor repairs. As a result, households in units that failed quality standards typically were forced to move in order to qualify for the allowance. Thus, while housing allowances clearly worked for the majority of households, participation rates tended to be lower among those who initially lived in substandard housing, an outcome that one observer has likened to a health program that is restricted to healthy households (11).

Thus, despite their higher cost, there appears to be an argument for retaining a few highly targeted supply-side subsidies to deal with the worst segments of the housing stock. Theoretically, in the long-run, raising the purchasing power of low-income households to a level that would provide a competitive rate of return should eventually produce an adequate supply response, even in areas where the initial stock is relatively poor. In the short term, however, the supply of housing is relatively inelastic. As a result, construction-oriented subsidies are needed to supplement housing vouchers in those markets where there is a shortage of quality housing. Other assistance approaches that can be linked to the voucher strategy or not, such as housing counseling or moving subsidies, might also be needed in some locations.

A strategy must also be devised to assist households who, for a variety of personal and unpredictable reasons, simply cannot find a unit that meets program standards. Obviously, such households cannot be denied assistance. One option would be to develop a two-tiered payment system that would distinguish between households that live in standard and substandard units but provide some assistance to all income eligibles. For example, a minimal shelter allowance could be available to all recipients, but only households in units which met program standards would receive the full subsidy amount. If the lower payment standard was about the same as the current national average (about 60 percent of the FMR), the program's costs would probably drop to about $7 billion per year.[1]

4.3 Supporting the Costs

While the key changes that must be made to develop a more equitable and effective shelter subsidy system are fairly clear, funding mechanisms to support the costs of such reform are much less obvious. As noted above, we estimate that raising the shelter allowance to the local FMR would increase expenditures by between $7 billion and $10 billion a year. Presumably, such a change would not occur unless it was part of a broader effort to standardize payment levels. As a result, total expenditures would be even higher.

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[1] This estimate assumes that participation rates would be similar to those observed in the housing allowance experiment, which were 70 percent for renters and 76 percent for owners. Since 61 percent of the "welfare only" population are renters, this implies an average participation rate of 72 percent, which would reduce the estimated costs of a voucher-like program to about $6.9 billion (72 percent of the total costs with 100 percent participation). This estimate is similar to the $7.4 billion estimate derived by Katsura and Struyk (12) using a different methodology and a different data set.

Some economies could undoubtedly be achieved by more effectively utilizing general welfare monies that are currently available to low-income housing. For example, Emergency Assistance dollars could be used to support the rehabilitation of substandard housing instead of the operation of cheap hotels. This strategy would create a permanent resource for the community at little or no additional cost (9). Likewise, raising existing shelter allowances to levels that are somewhat below the applicable FMRs would reduce the overall costs of reform and still address the inequities of the current system.[1] However, while HUD's existing quality and payment standards may well be too high to be adopted in an entitlement program, retreating from them too much would ultimately jeopardize housing goals.

Finally, HUD assistance could be redirected to serve a higher proportion of the welfare population. In 1983, only about 38 percent of the households in assisted housing also received income assistance, a pattern which may in part reflect the more liberal eligibility requirements that existed prior to the Reagan years.[2] Yet, even if participation in HUD programs were restricted to households on welfare, only about 58 percent of that population could be served.[1] Furthermore, the target would take years to achieve since it would have to be accomplished through normal turnover. Because housing needs are not synonymous with the receipt of income assistance, such an approach is neither practical nor politically feasible.

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[1] 1. Since, in 1986, the FMR was lowered to the 45th percentile from the 50th (i.e., the median rent), over time our estimate of the cost of raising the shelter grant to the FMR would overestimate the true cost.

[2] 2. Up until that time, households with incomes that were less than 80 percent of the area median (or about 200 percent of the poverty line) were eligible for HUD assistance. In 1981, this cut-off was dropped to 50 percent, a standard that is more in line with traditional income maintenance programs. It is likely that the new eligibility standards have already increased the overlap between the welfare and assisted housing populations through normal turnover and the net addition of assisted units.

4.4 Conclusion

The foregoing discussion is based on the assumption that housing goals remain a part of the nation's public policy agenda. Judging by the events of the last several years, it is not at all clear that this assumption is correct. There has not been a federal housing act for several years, virtually all HUD construction subsidy programs have been terminated, funding for existing demand-side programs is meager, and the 1986 tax reform legislation makes the future of private sector involvement in the provision of low-income housing uncertain at best.

We believe there is a case to be made for housing policy, and for categorical housing assistance in particular. This case rests on several factors: the inequities and inefficiencies of the current two-pronged system, the greater effectiveness of housing programs at achieving housing goals, the realization that transfer payments for housing are substantially different than income transfers, and most fundamentally, the motivations that underlie society's support for programs that assist the poor. We believe this case is compelling.

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[1] This assumes that the assistance now provided to the "housing only" population of 2.1 million households would be transferred to a subset of the 4.6 million "welfare only" population, reducing the number of welfare households without housing assistance to 3.4 million. Under this assumption, program costs would drop to between $3 billion and $4 billion a year.

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APPENDIX A

HOUSING QUALITY MEASUREMENT AND THE INCIDENCE OF SUBSTANDARDNESS AMONG ASSISTED HOUSEHOLDS

Throughout this paper, we have used one index of housing quality to measure the incidence of substandard housing conditions among assisted households. The specific index ranks high on external validity. It is based on the index developed by HUD's Office of Policy Development and Research in the early 1980s and incorporates several modest revisions that align it more closely to Section 8 Existing housing standards.[1] The use of one index rather than several also makes sense on practical grounds since it simplifies both analysis and presentation.

Nevertheless, it is important to note that the concepts of "housing quality" or "housing adequacy" are not based on completely explicit criteria and have no precise, quantifiable definitions of where "bad" ends and "good" begins (1). As a result, a large number of housing quality indices have been developed. Although there is a good deal of overlap among the core items in most of these indices (e.g., the presence or complete plumbing and kitchen facilities), there is also enough variation between them to suggest potential discrepancies in classifying dwellings as substandard.

To determine the extent to which such discrepancies arise, we re-estimated the incidence rates of substandard dwellings for nine additional housing quality indices cited in the literature or used in housing assistance programs. (Index definitions are provided in an attachment to this Appendix.)

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[1] In particular, it sets somewhat stricter tests for units to be judged as adequate compared to the HUD/Simonson index (e.g., HUD/Simonson requires three or more common area problems for a unit to be judged substandard while the revised index requires two or more such problems).

Exhibit A.1 shows the rates of substandardness for each of these indices when applied to our five-category assistance variable. The index named "Welfare and Housing" is the one used throughout this paper and, therefore, sets the frame of reference for the other indices. Six of the indices produce estimates that are roughly comparable. These include: Welfare and Housing, Elderly Housing 1, Elderly Housing 2, HUD Extended, HUD Restricted, and CBO. The remaining four indices, however, diverge sharply. The Fair Market Rent and OMB indices consistently yield the highest rates of substandardness, while the HUD/Simonson index yields the lowest rates. Thus, depending on the housing quality index adopted, the fraction of "welfare only" households judged to reside in deficient units ranges from a low of 18.8 percent (HUD/Simonson) to a high of 63.2 percent (FMR) — a gap of 44.4 percentage points. Furthermore, the discrepancy between the fraction of "welfare only" households in deficient units compared to "housing only" households varies between roughly 15 percentage points (HUD/Simonson) and 32 percentage points (New York State). In all cases, however, the incidence of substandardness is much higher among the welfare only group, ranging from about two to five times as great as that for households receiving housing assistance alone.

Exhibit A.2 concentrates on rates of substandardness among the different subgroups of this "welfare only" population. Differences between indices persist when we restrict the sample to demographically more homogeneous groups. Most of the indices, however, produce little variation in rates of dwelling inadequacies between AFDC, SSI, and GA-occupied units. A few, such as HUD extended, New York State and OMB, however, yield relatively large discrepancies.

Housing Quality Appendix Citations:

Newman, S. (1984). "Housing Research: Conceptual and Measurement Issues" in C. Turner and E. Martin (eds.) Surveying Subjective Phenomena, Vol. 2. New York: Russell Sage Foundation, pp. 143-156.

EXHIBIT A.1

PERCENT OF UNITS RATED SUBSTANDARD ON ALTERNATIVE HOUSING QUALITY INDICES, BY TYPE OF ASSISTANCE (1983 National American Housing Survey)

	Total Receiving Income Assistance	Total Receiving Housing Assistance	TYPE OF ASSISTANCE		
			Income Assistance Only	Housing Assistance Only	Income & Housing Assistanc
HUD/Simonson	16.4	5.3	18.8	3.4	8.2
HUD Restricted	21.9	9.4	24.7	7.9	11.9
Elderly Housing 1	22.8	9.3	25.6	7.3	12.6
CBO Criteria	25.0	10.9	27.9	8.7	14.5
Welfare and Housing	24.8	8.0	28.5	5.8	11.7
Elderly Housing 2	29.1	9.3	34.1	7.8	11.7
HUD Extended	29.3	9.2	34.1	7.2	12.5
New York State	38.1	14.8	43.4	11.9	19.4
OMB Criteria	54.9	35.9	58.2	31.5	43.1
Fair Market Rent	59.2	38.6	63.2	34.5	45.3

EXHIBIT A.2

PERCENT OF UNITS RATED SUBSTANDARD ON ALTERNATIVE HOUSING QUALITY INDICES AMONG "WELFARE ONLY" HOUSEHOLDS, BY TYPE OF WELFARE (1983 National American Housing Survey)

	AFDC Only	SSI Only	GA Only	Other
HUD/Simonson	17.1	21.7	18.5	17.0
HUD Restricted	24.5	28.9	22.6	21.9
Elderly Housing 1	25.7	27.3	26.0	22.2
CBO Criteria	28.6	28.7	29.0	23.6
Welfare and Housing	25.0	36.0	26.8	24.2
Elderly Housing 2	31.2	40.7	33.4	29.0
HUD Extended	29.6	43.0	32.8	28.6
NY State Study	38.8	54.1	42.1	35.5
OMB Criteria	57.4	64.1	56.8	52.4
Fair Market Rent	63.2	68.2	62.2	56.7

HUD/Simonson Definition, 1981

Unit lacks or shares complete plumbing facilities.

Unit lacks adequate provision for sewage disposal. The unit must be connected with a public sewer, septic tank, cesspool, or chemical toilet.

Unit lacks or shares complete kitchen facilities.

Has three or more structural problems:

- Leaking roof.
- Open cracks or holes in interior walls or ceiling.
- Holes in the interior floors.
- Peeling paint or broken plaster over one square foot on an interior wall.
- Evidence of mice or rats in last 90 days.

Has three or more common area problems:

- No working light fixtures in common hallway.
- Loose, broken, or missing stairs.
- Broken or missing stair railings.
- No elevator in building (for units two or more floors from main building entrance in building four or more stories high).

Unit is heated mainly by unvented room heaters which burn gas, oil, or kerosene.

Lacks electricity.

Has three signs of electrical inadequacy:

- One or more rooms without a working wall outlet.
- Fuses blown or circuit breakers tripped three or more time during last 90 days.
- Exposed wiring in house.

Source: Simonson (1981), pp. 84-85.

HUD's Restricted Definition

Unit is "severely inadequate" if it exhibits one or more of the following flaws:

Lacks or shares complete plumbing facilities.

Contains five of the following six signs of inadequate maintenance:

Leaking roof.

Open cracks or holes in interior walls and ceilings.

Holes in the interior floors.

Peeling paint or broken plaster over one square foot on an interior wall.

Evidence of mice or rats in last 90 days.

Leaks in basement. (For units without basements, four of five signs.)

Contains four or more of the following public hall deficiencies:

No working light fixtures in public halls.

Loose, broken, or missing steps on common stairways.

Loose or missing stair railings.

No elevator in the building (for units two or more floors from main building entrance in four or more story building).

Heating equipment breakdown of six consecutive hours or longer three or more times last winter.

Experiences three selected electrical defects or no electricity:

Lacks working electrical wall outlet in one or more rooms.

Blown fuses or tripped circuit breakers three or more times in the last 90 days.

Exposed wiring.

Inadequate provision for sewage disposal. Adequate means of sewage disposal include a public sewer, septic tank, cesspool, or chemical toilet. Facilities must be in the structure.

Source: Department of Housing and Urban Development, Office of Policy Development and Research.

Urban Systems Research and Engineering, Inc., An Analysis of the Housing Needs of New York State: Research Design (March 1983), Cambridge, MA, Exhibit E-2.

Elderly Housing 1

Unit lacks or shares complete plumbing facilities.

Unit lacks or shares complete kitchen facilities.

One or more of the following three services was unavailable or completely unusable for six or more hours at least three times during the past ninety days: (1) running water, (2) sewage system, (3) toilet.

The heating system was completely unusable for six or more hours at least three times during the past winter.

Two or more of the following four conditions exist:

- Leaking roof
- Substantial cracks or holes in walls and ceilings.
- Holes in floors.
- Broken plaster or peeling paint over one square foot on interior walls.

The unit is in a building with public hallways and stairs, and two or more of the following three conditions exists:

- Missing light fixtures.
- Stair railings are missing or poorly attached.
- Missing, loose, or broken steps.

Source: Raymond Struyk and Beth Soldo, *Improving the Elderly's Housing: A Key to Preserving the Nation's Housing Stock and Neighborhoods* (Cambridge, MA: Ballinger Publishing Company, 1980).

Congressional Budget Office, 1978

A unit fails if it has one or more major deficiency or two or more secondary deficiencies.

The major deficiencies are:

The absence of complete plumbing facilities.

The absence of complete kitchen facilities.

The absence of a public sewer connection, septic tank, or cesspool.

Three or more breakdowns of six or more hours each time in the sewer, septic tank, or cesspool during the prior 90 days.

Three or more breakdowns of six or more hours each time in the heating system during the last winter.

Three or more times completely without water for six or more hours each time during the prior 90 days.

Three or more times completely without a flush toilet for six or more hours each time during the prior 90 days.

Secondary deficiencies are:

Leaking roof.

Holes in interior floors.

Open cracks or holes in interior walls or ceilings.

Broken plaster (over one square foot in area) on interior walls or ceilings.

Exposed wiring.

The absence of any working light in public hallways.

Loose or missing handrails in public hallways.

Loose, broken, or missing steps in public hallways.

Source: Federal Housing Policy: Current Programs and Recurring Issues, A Background Paper of the Congress of the United States, Congressional Budget Office (Washington, D.C.: U.S. Government Printing Office, 1978), Table 1, Fn. b, p. 6.

Welfare and Housing

Unit lacks or shares complete plumbing facilities.

Unit lacks adequate provision for sewage disposal. The unit must be connected with a public sewer, septic tank, cesspool, or chemical toilet.

Unit lacks or shares complete kitchen facilities.

Has two or more structural problems:

Leaking roof.

Leaking basement.

Open cracks or holes in interior walls or ceiling.

Holes in the interior floors.

Peeling paint or broken plaster over one square foot on an interior wall.

Evidence of mice or rats in last 90 days.

Has two or more common area problems:

No working light fixtures in common hallway.

Loose, broken, or missing stairs.

Broken or missing stair railings.

No elevator in building (for units two or more floors from main building entrance in building four or more stories high).

Unit is heated mainly by unvented room heaters which burn gas, oil, or kerosene.

Unit has had three or more toilet breakdowns of six hours or more in the past 90 days.

Unit had three or more heating breakdowns lasting six hours or more last winter.

Lacks electricity.

One or more rooms without a working wall outlet.

Fuses blown or circuit breakers tripped three or more time during last 90 days.

Exposed wiring in house.

Source: Definition used in current paper.

Elderly Housing 2

Unit lacks or shares complete plumbing facilities.

Unit lacks or shares complete kitchen facilities.

Unit lacks adequate provision for sewage disposal. Unit must be connected with a public sewer, septic tank, cesspool, or chemical toilet.

Basement leaks.

No elevator in building (for units two or more floors from the main building entrance in buildings four or more stories high).

Unit heated mainly by unvented room heaters which burn gas, oil, or kerosene.

Lacks electricity.

Unit lacks a working electrical wall outlet in one or more rooms.

Source: James Zais, Raymond J. Struyk and Thomas Thibodeau. Housing Assistance for Older Americans, The Urban Institute, Washington, D.C., p. 32.

HUD's Extended Definition

Unit is "potentially inadequate" if it has one or more of the following flaws:

Unit lacks or shares complete plumbing facilities.

Unit lacks or shares complete kitchen facilities.

Unit shows three of six signs of inadequate maintenance:

> Leaking roof.
>
> Open cracks or holes in interior walls and ceilings.
>
> Holes in the interior floors.
>
> Peeling paint or broken plaster over one square foot on an interior wall.
>
> Evidence of mice or rats in last 90 days.
>
> Leaks in basement.

Contains three or more public hall deficiencies:

> No light fixtures in public halls.
>
> Loose, broken, or missing steps on common stairways.
>
> Loose or missing stair railings.
>
> No elevator in the building (for units two or more floors from main building entrance in a building with four or more floors).

Unit lacks heating equipment, or unit is heated primarily by room heaters without flue or vent which burn gas, oil, or kerosene.

Heating equipment breakdown of six consecutive hours or longer three or more times last winter.

Experiences three selected electrical defects or no electricity:

> Lacks working electrical wall outlet in one or more rooms.
>
> Blown fuses or tripped circuit breakers three or more times in the last 90 days.
>
> Exposed wiring.

Inadequate provision for sewage disposal and/or breakdown of the facilities. Adequate means of sewage disposal include a public sewer, septic tank, cesspool, or chemical toilet. Facilities must be in the structure. Breakdown of flush toilet six consecutive hours or longer three or more times during the last 90 days.

Source: U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

Urban Systems Research and Engineering, Inc., An Analysis of the Housing Needs of New York State: Research Design (March 1983), Cambridge, MA, Exhibit E-1.

New York State Study

A unit fails if it has one or more major deficiency or two or more secondary deficiencies.

The major deficiencies are:

The absence of complete plumbing facilities.[1]

The absence of complete kitchen facilities.[2]

No central heat.

Secondary deficiencies are:

Leaking roof.

Holes in interior floors.

Open cracks or holes in interior walls or ceilings.

Broken plaster (over one square foot) in area on interior walls or ceilings.

Exposed wiring.

The absence of any working light in public hallways.

Loose or missing handrails in public hallways.

Loose, broken, or missing steps in public hallways.

Source: Urban Systems Research and Engineering, Inc., An Analysis of the Housing Needs of New York State: Research Design (March 1983), Cambridge, MA, p. 2-17.

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[1] Complete plumbing facilities: this requires a unit to have hot and cold piped water, a flush toilet, and a bathtub or shower all inside the structure.

[2] Complete kitchen facilities: a unit must have an installed sink with piped water, a range or cook-stove, and a mechanical refrigerator all inside the structure.

The Office of Management and Budget, 1977

Any one or more of the following criteria cause a unit to fail:

Unit lacks or shares complete plumbing facilities.

Unit lacks or shares complete kitchen facilities.

Unit was completely without running water for six or more hours at least three times in the past 90 days.

Unit had completely unusable toilet for six hours at least three times in the past 90 days.

Unit had completely unusable sewage disposal system for six or more hours at least three times in the past 90 days.

Unit heated by unvented room heaters burning gas, oil, or kerosene.

Room(s) closed for a week or more during past winter because they could not be heated.

Completely unusable heating system for six or more hours three or more times during past winter.

Unit lacks a working electrical wall outlet in one or more rooms.

Leaking roof.

Cracks or holes in interior walls or ceiling.

Holes in floor.

Broken plaster or peeling paint (over one square foot) on interior walls.

Public halls lack working light fixtures.

Loose, broken, or missing steps on common stairways.

Not all stair railings firmly attached, or stair railings missing.

Evidence of rats or mice in last 90 days.

Source: Jonathan Sunshine, "Memorandum for Distribution: Preliminary Findings of Section 8 Study — Report No. 8: Econometric Analysis of Contractor Data," (December 22, 1977), Special Studies Division; Human Resources, Veterans, and Labor; Office of Management and Budget.

Fair Market Rent

Any one of the following criteria causes a unit to fail:

Unit lacks complete plumbing facilities.

Unit lacks or shares complete kitchen facilities.

Stove, refrigerator, or sink not working.

Unit without running water for at least six hours at least three times in previous 90 days.

Completely unusable toilet for at least six hours at least three times in previous 90 days.

Completely unusable sewage disposal for at least six hours at least three times in previous 90 days.

Heated by fireplace, stove, space heater, or by unvented room heaters burning gas, oil, or kerosene.

Rooms closed for a week or more during the past winter because they could not be heated.

Unusable heating system for at least six hours at least three times during the past winter.

Leaking roof.

Open cracks or holes in interior walls or ceiling.

Holes in the interior floor.

Broken plaster or peeling paint (over one square foot) on interior walls.

Public halls lack working light fixtures.

Loose or missing steps on common stairways.

Stair railings missing or not firmly attached.

Signs that rats or mice were present in the last 90 days.

Unit lacks direct access; entry is through another unit.

Unit lacks electricity.

Exposed wiring.

Fuses or circuit breakers blew three or more times in the last 90 days.

Unit lacks working electrical wall outlet in one or more rooms.

Source: Federal Register, various issues.

APPENDIX B

FEDERAL SHARE OF AFDC, 1984-85, BY STATE

State	1984-85
Alabama	72.14%
Alaska	50.00
Arizona	61.21
Arkansas	73.65
California	50.00
Colorado	50.00
Connecticut	50.00
Delaware	50.00
D.C.	50.00
Florida	58.14
Georgia	67.43
Hawaii	50.00
Idaho	67.28
Illinois	50.00
Indiana	59.93
Iowa	55.24
Kansas	50.67
Kentucky	70.72
Louisiana	64.65
Maine	70.63
Maryland	50.00
Massachusetts	50.13
Michigan	50.70
Minnesota	52.67
Mississippi	77.63
Missouri	61.40
Montana	64.41
Nebraska	57.13
Nevada	50.00
New Hampshire	59.45
New Jersey	50.00
New Mexico	69.39
New York	50.00
North Carolina	69.54
North Dakota	61.32
Ohio	55.44
Oklahoma	58.47
Oregon	57.12
Pennsylvania	56.04
Puerto Rico	75.00
Rhode Island	58.17
South Carolina	73.51
South Dakota	68.31
Tennessee	70.66
Texas	54.37
Utah	70.84
Vermont	59.37

APPENDIX B
(Continued)

Virginia	56.53
Washington	50.00
West Virginia	70.57
Wisconsin	56.87
Wyoming	50.00

Source: Background Material and Data on Programs Within the Jurisdiction of the Committee on Ways and Means. February 1985, p. 356-57.

Appendix C HOUSEHOLD CHARACTERISTICS OF ELIGIBLE RECIPIENTS OF AFDC, BY STATE, 1984

Household Characteristics	Eligible States[a]
Eligible Children	All states
One needy parent or caretaker of child	All states except Mississippi
Second parent if one parent is incapacitated or principal earner is unemployed	All states except Alaska Mississippi, and West Virginia
Unemployed principal earner who is the parent of at least one child[b]	California, Colorado, Connecticut, Delaware, District of Columbia, Hawaii, Illinois, Iowa, Kansas, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Washington, West Virginia, and Wisconsin
"Essential" persons[c]	Arkansas, California, District of Columbia, Hawaii, Illinois, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, Oregon, Pennsylvania, Puerto Rico, Utah, Vermont, Virginia, Washington, and Wisconsin

Source: U.S. Department of Health and Human Services. 1984. Research Tables from the Characteristics of State Plans for AFDC. Washington, D.C.

[a] All forty-eight states plus the District of Columbia, Alaska, Hawaii, and Puerto Rico.

[b] For states with AFDC-UP (unemployed persons).

[c] Any needy person living as a member of the family and performing an essential service. These persons are defined in various ways within the twenty-three states that include them in the grant.